THE

CO-OPERATIVE SECRETARY:

A MANUAL OF . .
CO-OPERATIVE . .
ADMINISTRATION.

ALFRED WOOD,
Chartered Accounta

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THE CO-OPERATIVE SECRETARY:

A MANUAL OF CO-OPERATIVE ADMINISTRATION.

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THE STATISTICAL CHART.

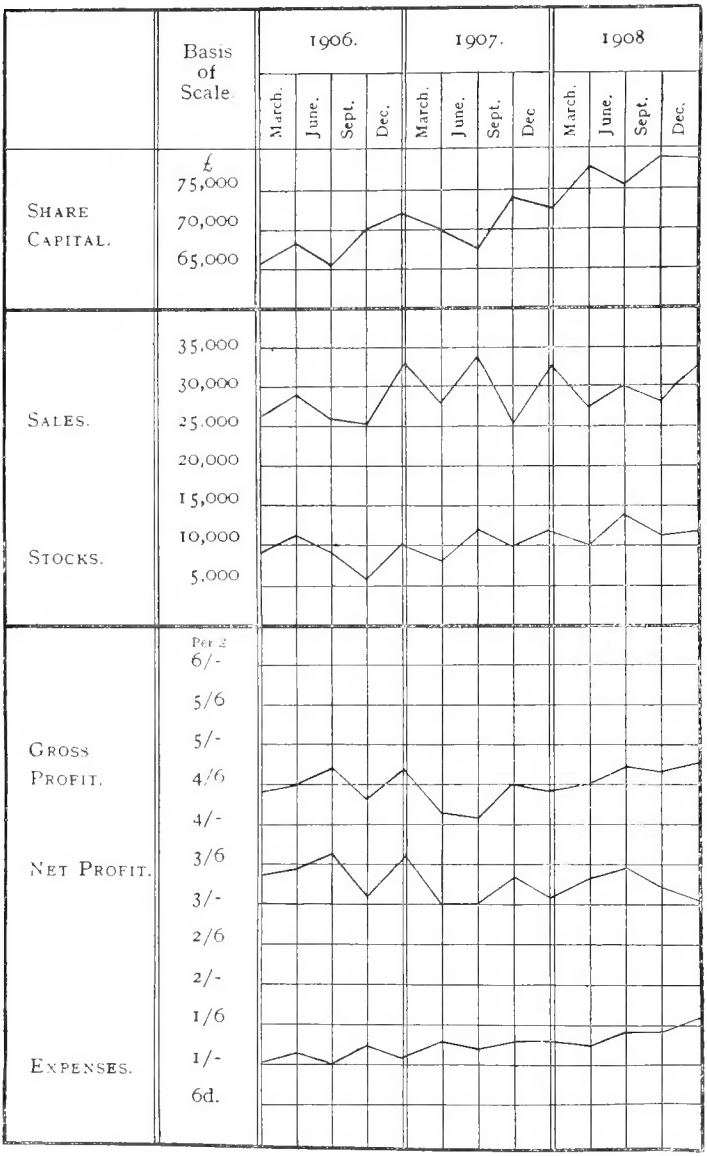

Plate I

Frontispiece.

THE

CO-OPERATIVE SECRETARY:

A Manual of Co-operative Administration.

BY

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Author of "Co-operative Book-keeping."

Adopted by the Central Education Committee of the Co-operative Union, with an Introduction by

J. C. GRAY,
General Secretary.

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X

INTRODUCTION

BY THE

GENERAL SECRETARY OF THE CO-OPERATIVE UNION.

THE business of a secretary in a co-operative society is not now what it once was. In the early history of the movement the secretary was often the one man in the group who was possessed of enthusiasm for the formation of a society. Out of his desire to see the society a success he evolved a method of working which he, as secretary, in those early days could make successful, simply because it was his own. At that time, too, the operations of the society were so limited, its scope so meagre, and its lookout often so narrow, that no great claim was made upon what we nowadays would regard the technical side of a competent secretary.

Early records tell curious tales of the struggles these men had with business methods. Their correspondence was carried on under such difficulties as may be easily seen to be inseparable from the type of men that became secretaries in those early times.

But those days have passed away. The societies we now regard as small are huge in comparison with their own beginnings, even though among these there are many whose operations filled their devotees with admiration and wonder. In many instances to-day one society is doing business to an extent that could hardly have been equalled by ten societies in the early times, and doing this business, too, under conditions that the founders of these very societies would never have dreamt of.

It can be easily seen, therefore, that it is not now an easy duty for a man to organise and control the business side of the operations of a co-operative society. It is no light task for any man to properly fulfil the duties of a co-operative secretary in this twentieth century. The business done differs in all respects in its methods and practice from those of the early societies, and from those of either companies or private individuals.

The difficulties that arise out of the differences between co-operative business and outside business have made it impossible for the two to run on identical or even parallel lines. The requirements for membership, the holding of share capital, the admission of loans and deposits, the division and sub-division of trade accounts, and above all the method of dealing with the remuneration of capital and the division of surplus funds amongst customers, all put co-operative trading on quite a different platform from that of outside trading,—and certainly demand, on the part of a co-operative secretary, special study and deep consideration in order that he may deal with them in accordance with co-operative principles and practices, as distinguished from the methods adopted by ordinary trading companies.

The Education Committee of the Co-operative Union, in response to requests and suggestions made to them from time to time by co-operative secretaries, have published this book with the object of providing those who are now filling, or who in future hope to fill, important positions as secretaries of co-operative societies, with a guide or manual which will enable them to direct their energies on safe lines.

The book, therefore, is intended to be a complete guide and commentary on the work and duties of a secretary who may have to organise and direct the business of a modern co-operative society. It is hoped that those who have now to guide the affairs of a smaller society will also find sufficient help to make the book valuable to them, and it is not expected that the business of any society will be

so extensive as to be beyond the possibility of finding suggestions, guidance, and assistance in the pages of this manual.

Of course, the Committee and the Author recognise that many secretaries who have been in the premier position in large societies for many years may have evolved methods which in minor details may differ somewhat from those set forth in this book, and it is not expected that anyone will consider that, in setting up here a correct method of "secretary-ing" on the lines laid down in this book, there may not be many other thoroughly correct, reliable, and praiseworthy methods that may differ somewhat in detail from the methods laid down here. But, as a whole, the plan of the book has been thought out carefully and worked out successfully.

Any unbiassed critic, who will take the trouble to carefully read, will come to the conclusion that this book will afford to all present and future secretaries a means of obtaining a thorough insight into dealing with the multifarious duties of a co-operative secretary. For it will be seen that the book deals practically with everything which may be required to be done by a secretary. The object of the author has been undoubtedly to prepare a book which should include every conceivable matter which may at any time occupy the attention of a secretary, and, at the same time, to provide a permanent source of information and reference, to which appeal can be made at any time, not only for tuition and training, but for help and guidance in the development of necessary book-keeping work and new departments of secretaries' work.

It follows naturally that if a secretary seriously takes up the question of self-improvement, and makes a study of this and any other manual which may be found helpful, the time ought soon to arrive when it will be impossible for a co-operative society to appoint to this most important position anyone who has not proved himself capable and efficient by examination and certificate obtained in

connection with the class work done under the auspices of the Education Committee of the Co-operative Union.

Further, when the time arrives at which secretaries, or the majority of them, have attained to the high distinction of having mastered the technicalities of their important profession, and have thus qualified for the rendering of such services to the co-operative movement as only thoroughly competent men can, the committees who have to manage the business and administer the finances of a co-operative society will recognise that such services should have a monetary value to a degree that they have not yet realised, and will in this way make it worth while for good men to make the effort. There is no denying that, up to the present, secretaries in co-operative societies are neither properly recognised nor adequately remunerated, but if the efforts of the Co-operative Union to raise a staff of expert and competent secretaries are successful, we may reasonably expect, in view of the increased value of the secretary, a new financial attitude to be maintained towards him.

This introduction would not be complete without an expression, on behalf of the Education Committee of the Co-operative Union and the movement generally, of hearty thanks and congratulations to Mr. Alfred Wood, author of the book, who has devoted so much time and care to its preparation. In commending it to co-operative secretaries and to co-operators generally, it is earnestly hoped that it will be taken in the sense in which it is offered by the Education Committee of the Union, which is not necessarily to dogmatise on the work of a co-operative secretary, but as a help, guide, mentor, and friend to the business side of the operations of co-operation. It is further hoped that the chief result of this book will be to strengthen the hands of officers to whom much is entrusted and from whom so much is expected, in order that they may be able to face with calm minds and clear purpose the greater developments which undoubtedly lie before us.

J. C. Gray.

PREFACE.

My object has been to provide, within the covers of one manual, a reference book for the initiated and a text-book for the student. In such a work a practical man looks for guidance in the law, administration, and accounting concerning a particular duty engaging his immediate attention. The plan usually adopted is to give separate treatment to each of these classes of information in clearly-defined sections of the book. Experience has taught that this method causes considerable difficulty to the reader in his attempt to reconcile, or read in connection, the information treated separately under the three heads. Consequently, I have preferred to take these subjects hand-in-hand throughout this work. Beginning with the registration of the society, the reader is taken through each department of the office, examines each question arising therein from its practical standpoint, and arrives at the balancing date and annual return by a natural sequence. I have judged that in this manner theory and practice assume their proper and harmonious relationship.

Even a secretary of standing will fail to recognise the comprehensiveness of his duties until he is able to marshall in orderly sequence the mass of information he has acquired through a long course of practical experience. To eliminate minor detail, without being incomplete; to set forth the necessary, without being unwieldy; to meet the requirements of the large society, without being beyond the small but progressive one; to assist the distributive society, without ignoring the productive side of the movement; to preserve the true sense of proportion; to adopt a style neither tedious nor abrupt in dealing with a subject of so highly technical a nature; and to weld together the whole so that each argument rests upon those that precede it: these have been the difficulties I have attempted to surmount.

In the arrangement of the chapters and their sub-divisions I have had a definite purpose. I have assigned to each department of the office its specialised duties, even if it consist of a single clerk. In a large office, I have assigned to each member of the staff, under the direction and control of a sub-chief, carefully-defined responsibilities. A specialised employé, however, should have a large view of the relations of his own department to the whole of the machinery of which he is a component part. This has been effected by a generous provision of footnotes, which minimise the labour of reference, and

avoid repetition and overlapping in the text itself. With the same object, the appendices are attached to the chapters they serve to illustrate, and they guide the practical reader in the preparation of books and forms for his particular need. Consequently, they have been made as full and comprehensive as space would allow, and actually constitute a third of the book.

As an advanced work on accounting, it became necessary for me to adopt as a basis a more elementary work upon book-keeping. To preserve a direct sequence of thought, method, and teaching, I have therefore taken the specialised text-book upon this subject adopted by the Central Education Committee for their employés' training classes. Similarly, in matters of administration, I have used as my basis the model rules issued by the Co-operative Union. Secretaryship, co-operatively considered, abounds in controversial points, whether in its treatment of accounting and administration, or of law in the absence of governing decisions. To evade such questions would not only lay an author open to the charge of cowardice, but make his work incomplete. To deal with them, he will require a reasonable and judicial spirit, breadth of view, and the avoidance of mere dogmatic assertion of personal opinion.

To what extent I have achieved these objects I have set before me, the reader himself must judge; but from him, also, much can be claimed. The issue by the Co-operative Union of a manual for the general use of the movement must in itself materially assist in the application of broader principles and in the unification of method. On the part of the secretary, without sacrificing liberty of action, there should be considerable sinking of personal predilection, parochial ideas, and conservatism of thought. Hitherto the training of the secretary has been in isolation. By means of the present work the experience of the many is codified for the benefit of the individual. Herein lies the greatest factor for efficiency and the secret of the improved status of the secretary who has devoted his best energies to the service of Co-operation. My task has been lightened throughout by the earnest hope that this book may provide the impulse to a gradual consolidation of opinion and method, and therefore secure to an even greater degree the financial integrity of societies registered under the Industrial and Provident Societies Act.

A. W.

Deansgate Arcade, Manchester.
June, 1909.

CONTENTS.

PAGES.

Chapter I.—THE CONSTITUTION OF A CO-OPERATIVE SOCIETY 1-6
Meaning of the term "Co-operation"—The Co-operative Society—Limited Liability—The Joint-Stock Company and Co-operation The Industrial and Provident Societies Acts.

Chapter II.—INAUGURATION AND REGISTRATION 7-21
Preliminaries—Formation—Objects of the Society—Conditions of Registration—Offices of Registry Rules to be Prepared—Provisions to be contained in the Rules—Statutory Duties—Rules to be Registered—Registration—Acknowledgment of Registry—Cancellation or Suspension of Registry—Amendment of Rules.

Chapter III.—THE SECRETARY AND HIS STAFF 22-40
The Secretary *pro tem.*—Appointment of Secretary—Remuneration and Security—Duties—Secretary appointed by the Committee—The Treasurer and his Duties—The Treasurership: An Obsolete Office—The Secretary: An Officer—Offences and Penalties—Misappropriation and Fraud—Accounts of Officers Rendered—The Training of a Secretary—The Balance Sheet—The Office: The Brain of the Society—Relations with the Committee—Relations between the Secretary and Managers—The *personnel* of the Staff—Conditions of Employment—Relations between the Secretary and the Staff.

Chapter IV.—OFFICE ARRANGEMENT 41-50
The Registered Office—"Safe" Accommodation—Office Site—Health Considerations—Office Fittings—Office Accessories—Telephones Office Departments.

Chapter V.—CORRESPONDENCE—INDEXING AND FILING ... 51-67
Stationery—Letters—Filing Correspondence—Typists Mechanical Dictation—Typewriters—Duplicating or Mimeography Enclosures—The Office Reminder—The Secretary's File—The Manager's Correspondence—Postage.

Chapter VI.—THE SHARE OFFICE—SHARE CAPITAL AND MEMBERSHIP 68-88
Capital required for Trading—Shares—Paid up by Instalments—Right of Forfeiture—Who can be a Member—Power of Nomination—Probate and Letters of Administration—Members Dying Intestate—Insane Members—The Share Office—Shares either Transferable or Withdrawable.

PAGES.

Chapter VII.—THE SHARE OFFICE—TRANSFERABLE SHARES 89-114
Applications for Transferable Shares—Allotment—Register of Members—Register of Transferable Shares—Transferable Share Ledger—Share Certificates—Transfers—Register of Transfers—The Pass Book—The Balancing Period.

Chapter VIII.—THE SHARE OFFICE—WITHDRAWABLE SHARES 115-135
General Effect of Withdrawable Share Capital—Applications for Membership—The Share Pass Book and Admission Card—The Share Ledger—Share Contributions and Withdrawals—Notices of Withdrawal—The Share Summary—Share Interest—Dividend on Purchases—Payment of Dividend.

Chapter IX.—THE SHARE OFFICE—LOANS AND DEPOSITS... 136-146
Loans—Agreements Deposits—Savings Banks—The Savings Bank Ledger and Pass Book—Sales Deposits—Banking by Societies.

Chapter X. CONTRACTS WITH SOCIETIES—GENERALLY AND PARTICULARLY 147-175
What is a Contract?—The Offer and Acceptance—Consideration—Specialties—Simple or Parol Contracts—Capacity to Contract—Rights, Duties, and Liabilities under a Contract—Fraud and Mistake—Novation—The Sale of Goods—What are Goods?—The Price—Acceptance, Delivery, and Receipt—Rights and Liabilities of Buyers—Carriage—The Liability of a Carrier—Carriers by Sea—The Law of Contract in Relation to Societies.

Chapter XI. CO-OPERATIVE DISTRIBUTION AND PRODUCTION 176-186
Two Classes of Societies—Purchases from Wholesale and Productive Societies—Accounting Generally—Trade Departments—Office Departments—Societies varying in Size.

Chapter XII.—THE GOODS OFFICE—PURCHASES AND CARRIAGE 187-209
The Goods Office—The Purchase of Goods—The Purchase Book—The Goods Receiving Book—The Invoice—Credit Notes—Railway Transport—The Carter's Delivery Book—The Railway Account.

Chapter XIII.—THE GOODS OFFICE—OUTPUT AND TURNOVER 210-235
The Goods Account—Stores—Issue of Stores—The Stores Ledger—The Stock Ledger—Sales—The Coal Department—The Milk Department.

Chapter XIV.—THE GOODS OFFICE—TRANSFERS AND LEAKAGE ACCOUNTS 236-258
Transfers—The Transfer Delivery Note—The Transfer

PAGES.

Invoice—The Goods Account—Leakage—The Purpose of a Leakage Account—Variation in Selling Prices—The Leakage Ledger—Bakery Transfers—Summary of Transfers—Weights and Measures.

Chapter XV.—THE GOODS OFFICE—COST ACCOUNTS 259-292
Production—Prime Cost and Oncost—Stock Jobs—Work in Progress—Special Jobs—Quasi-Productive Departments—Bakery Cost Accounts—Butchering Departments—Dressmaking, Tailoring, and Millinery—Boot Repairing—The Farm—The Costing of the Milk Department.

Chapter XVI.—THE GOODS OFFICE—STOCK-IN-TRADE AND STOCKTAKING 293-309
Stock—What is Stocktaking?—The Inventory of Stock—The Preparation of Stock—The Stocktakers—The Costing of Stock—Stock Checking—Independent Valuation.

Chapter XVII.—THE LEDGER OFFICE—PURCHASES 310-325
The Ledger Office—The Invoice Book—The Trade Ledger—Trade Ledger for Productive Societies—The Wholesale Societies' Invoices—Cash Purchases—The Purchases as per Trade Account.

Chapter XVIII.—THE LEDGER OFFICE—SALES 326-336
No Check Office in Productive Societies—The Sales Note—The Sales Invoice—The Sales Ledger—Discounts—Sales Returns.

Chapter XIX.—THE LEDGER OFFICE—WAGES 337-351
Expenses—Productive Wages—The Wages Clerk—Stock Jobs—Special Jobs—Piecework—"Subs."—Distributive Wages—The Wages Book—Payment of Wages.

Chapter XX.—THE CHECK OFFICE—WHAT IS A CHECK SYSTEM? 352-364
A Controversial Subject—What is a Check System?—The Trading Pass Book—The Metal Check—The Paper Check—Mechanical Attachments—The Book *versus* the Loose Check—The Secretary and the Check System.

Chapter XXI.—THE CHECK OFFICE—READY-MONEY TRADING 365-386
What is Ready Money?—The "Eccles" System—The "Climax" System—The Book System—The "Fielding-Wood" System.

Chapter XXII.—THE CHECK OFFICE—CREDIT TRADING... 387-406
What is Credit?—The Check Office—The Shop Ledger—The Book System—Sales Deposits—The Sales Deposit Ledger—Hire-Purchase Agreements—

PAGES.

The Hire-Purchase Ledger — Dividend on Sales Deposits and Hire-Purchase Instalments.

Chapter XXIII.—THE CASH OFFICE FINANCE AND BANKING 407-425
Finance—Banking—The Bank Note—The Cheque—The Signing and Endorsing of Cheques—The Crossing of Cheques — Cheque Irregularities — The Clearing House—Postal Orders and Money Orders—Bank Interest and the Bank Rate—How to Check Bank Interest and Commission—Combination Cheque and Receipt—Overdrafts.

Chapter XXIV.—THE CASH OFFICE—CASH AND ITS EMPLOYMENT 426-461
The Medium of Exchange—The Cash Office—The Cashier—The Share Office—Purchases Accounts paid by Cheque—Statements Cash Purchases—Payments by Shopmen—Sales and Purchases of Productive Societies—Sales of Distributive Societies—Sundry Receipts Book—Sales of Hides, Skin, and Fat—Interest and Dividend on Investments—Commission Sales—The Education Department and Rents—The Petty Cashier Cash Discrepancies—The Daily Cash Book and the Summary Cash Book—Receipt Stamps—Legal Tender Appropriation of Payments—Court Matters.

Chapter XXV.—FIXED ASSETS: DEALINGS WITH LAND AND PROPERTY 462-476
Amateur Lawyers and Architects—What is Fixed Stock?—Power to Buy and Sell Land—Title to, and Covenants running with, Land and Property—Stamp Duties—The Common Seal—Scheduling of Deeds—Building Contracts—Mortgages—Capital and Revenue Expenditure—The Fixed Stock Account.

Chapter XXVI.—EXPENSES—INTEREST AND DEPRECIATION 477-497
Share and Loan Interest—The Effect of Interest Charges upon Revenue—Bank Interest—Fluctuation—What is Depreciation?—Wear and Tear, Decay, and Obsolescence—Methods of Depreciation—The Annuity or Sinking Fund System—The Instalment Plan—Rates of Depreciation—Depreciation of Stocks—Depreciation in Investments.

Chapter XXVII.—EXPENSES—RATING, INSURANCE, AND INCOME TAX 498-524
Liabilities Requiring Special Treatment — Rating Assessment — Income Tax — Dealings with Non-Members—Heating, Light, and Water—Fire Insurance—Rates of Fire Insurance—Contingency Funds—

PAGES.

Workmen's Compensation—Fidelity Insurance—Collective Life Assurance—Accounting of Rental Charges.

Chapter XXVIII.—EXPENSES—DEPARTMENTAL APPORTIONMENT 525-542

A Plea for Uniformity—Threefold Classification—Carting Expenses—Productive Expenses—Distributive Expenses—The Discrimination of Expenses—The Allocation Account—Rental, General, and Cartage Assessment.

Chapter XXIX.—THE INVESTMENT OF SURPLUS FUNDS.... 543-560

Liquid Assets—The Power to Invest—The Investments Capital Account—Dividend on Purchases—Mortgages—Cottage Property—Landlord and Tenant—Distraint for Rent.

Chapter XXX.—PROFIT APPROPRIATION—DIVIDENDS AND RESERVES 561-585

The Profit and Loss Account—Reserve Funds—Hidden Reserves—Special Depreciation Funds—Dividend: A Deferred Discount—Profit Available for Dividend—Reserved Dividends—Reserved Profits.

Chapter XXXI. THE COMMITTEE AND MEMBERS—CONDUCT OF MEETINGS..... 586-611

The Powers of the Committee—The Duties of the Committee—Sub-Committees—Qualification of a Committee-man—Election of the Committee—Retirement and Eligibility of Committee-men—Removal and Vacancies—Responsibilities and Fees—Special Duties of Committee-men—Breach of Privilege—Meetings of the Committee—The Members' Meetings—Special General Meetings—Monthly Meetings—Quorum—Method of Voting Special Resolution—Agenda—The Chairman and Conduct of Meetings—General Procedure of Meetings—Minutes and Reports.

Chapter XXXII.—THE ANNUAL RETURN TO THE REGISTRAR 612-639

The Registrar His Powers—His Duties—The Annual Return—The Authorisation of the Return The Date of Making-up—Made up from Published Balance Sheets—General Method of Compilation—The Balance Sheet of Funds and Effects—The Cash Account—The General Accounts—The Adjustment of Expenses Account—The X Y Z Account—The Front Page.

REGISTER OF PLATES.

I. The Statistical Chart ..... Frontispiece
II. The "Shannon" File ..... To face page 16
III. "Shannon" Filing 32
IV. "Shannon" Binding 48
V. Useful Office Accessories 64
VI. Telephone Instruments 80
VII. Telephone Switchboard 96
VIII. Micro-Telephones—Secretarial 112
IX. Micro-Telephones—Departmental 128
X. Card Indexing 144
XI. Vertical Filing 160
XII. Vertical Filing—Expansive Cabinet 176
XIII. The Expansive Cabinet—Building in Sections 192
XIV. Typewriters—Double Keyboard 208
XV. Typewriters—Single Keyboard 224
XVI. Mechanical Dictation 240
XVII. Letter Press-Copying 256
XVIII. Mimeography 272
XIX. "Roneo" Duplicating 288
XX. The Writerpress 304
XXI. The Addressograph 320
XXII. The "Simplex" Sealer 336
XXIII. The Individual File 352
XXIV. Loose-Leaf Ledger—Closed 368
XXV. Loose-Leaf Ledger—Open 384
XXVI. Loose-Leaf Ledger—Index Folio 400
XXVII. The Computing Scale 416
XXVIII. Wages Time-Recording—The Key System 432
XXIX. Wages Time-Recording—The Card System 448
XXX. Wages and Dividend Paying Machine 464
XXXI. Autograph Cash Till 480
XXXII. Self-Adding Cash Till 496
XXXIII. "Fielding-Wood" System—Check Book, Box, and Stapler 512
XXXIV. "Fielding-Wood" System—Check Tray 528
XXXV. Cash Centralisation—Wire and Railway Systems 544
XXXVI. Cash Centralisation—Pneumatic System 560
XXXVII. The Protectograph 592
XXXVIII. "Burroughs" Adding Machine 608
XXXIX. "Burroughs" Adding Machine — Keyboard and Carriage 624
XL. "Burroughs" Adding Machine — Typed Ribbon, Showing Addition 640

THE

CO-OPERATIVE SECRETARY:

A Manual of Co-operative Administration.

CHAPTER I.

The Constitution of a Co-operative Society.

Meaning of the term "Co-operation."

Co-operation (derived from the Latin *opus*—a work, and *con*—together) may be described as the mutual and equitable association of what are usually opposing interests. The interests affected are generally capital, labour, and consuming power. It happens also that some or all of these interests are identified in the same persons. Consumer or wage-earner may supply the capital, and, inversely, such capital may supply the articles for consumption or the labour for the wage-earner.

This idea of mutual association has found its expression in the co-operative motto, "Each for all and all for each." Self-interest is at the foundation of all human enterprises; and it is claimed that co-operation brings out the best in self-interest, by preventing its being inimical to the common interest, thus eliminating the *evils* of competition. Not only is property held in common, but trade advantages go to the benefit of every member, and its government is founded on democratic principles.

The Co-operative Society.

The idea of co-operation is reduced into practice by various schemes or methods, such as the following:—

(*a*) *The Retail or Distributive Society*, which is an association of individuals combined to carry on the business of providing themselves with the necessaries of life, instead of being compelled to purchase them from other people at an enhanced price. Thus the members of the retail society provide the capital among themselves, pay a fixed and reasonable interest for the use of the same, and then divide the profits or surplus of the business among the members in proportion to their purchases from the society.

(*b*) *The Wholesale Society.*—The retail societies again combine for the purpose of procuring their supplies at wholesale prices. They provide the capital for the establishment of wholesale societies, carrying on the business of wholesale dealers, and dividing the profits according to the purchases made by the retail societies respectively from the wholesale societies.

(*c*) *Productive Societies.*—There is also the co-operation of workers who combine to form societies to carry on certain industries and manufactures in which they are engaged. They find their own capital, as far as possible ; obtain further financial aid from other co-operative societies ; and carrying on their business of manufacture, sell in the open market, dividing their profits in equitable proportions between capital, labour, and trade.

(*d*) *Federations of Societies.*—There is also the federation of co-operative societies for the manufacture and supply of such articles as flour, and doing such work as laundrying, the profits of which are not divided according to capital, but according to the support in trade given to the federation by its component members.

(*e*) *Agricultural Societies.* We have also the co-operation of agriculturists. Farmers combine to purchase their requirements and to sell their produce ; sharing their profits, not according to their capital, but in proportion to their purchases of requirements and their sale of produce.

(*f*) In another class is the *Tenants' Society*, which enables the members to obtain suitable houses on co-operative lines,

creating co-operative communities in which the members dwell in houses owned by them in common.

Limited Liability.

It should be understood that the principle is laid down in common law that any person who incurs debts or obligations in trading, places all his possessions, whether trading assets or private means and property, under the liability to discharge them. It follows, also, that where men join together in association, that debts and obligations incurred collectively must be borne both jointly and severally by those who in association incurred them, the creditor not being bound to recognise the relations *inter se* of the partners or those in association. As this principle retarded or held back the investment of capital without full control among those in association—that is to say, full personal control without delegation of duty and responsibility to others—various statutes have been set up, which, under certain safeguards, admitted the principle of limited liability, and the joint stock company came into being. Thus an association of individuals, by fulfilling statutory requirements, might be registered as a corporate body, might sue and be sued as such, and might receive capital from its shareholders, the liability of such shareholders to fulfil the obligations of the company being limited to the nominal value of the shares taken up by, and allotted to, each of them. The various Companies Acts, however, have still retained the stipulation that the total nominal capital of the company shall be registered, and shares must not be issued beyond that amount. Thus, share capital has been limited both in its amount as well as in liability. The result of this is obvious. The shareholders, as a corporate body, through the directors, supply only sufficient capital to meet the requirements of the trading, appropriating the profits thus made to themselves as a dividend upon *shares*, and the joint stock company as constituted provides such dividends out of the marketing of goods at profits which have been made by sales to the general public.

The Joint Stock Company and Co-operation.

It is thus seen that a joint stock company cannot be recognised as embracing in its constitution or its practical effect the idea of co-operation as it is generally understood. For whereas a joint stock company divides its profits (made in the open market from the purchases of the public) according to share capital, such capital being limited to its needs, a co-operative society is an association of individuals joined together, not to make profit out of others, but to produce and sell goods as far as possible to themselves, and after providing for all expenses and interest on capital, to divide the profits according to purchases, or labour, as the case may be. A society, therefore, stands in two positions towards the member. It is a bank for his savings, for which he is allowed a reasonable interest as wages upon its use. It is also a universal provider, selling him goods practically at cost price. Instead of issuing, as in a joint stock company, enough shares to carry on the trade of the concern, the co-operative society is bound to receive whatever a member desires to deposit, subject to certain conditions (either imposed by the Act, or its registered rules), whether such capital be required or not. It therefore happens that the capital of a society often exceeds its needs, and must be re-invested to provide against the loss of interest payable to members upon this surplus capital.*

The Industrial and Provident Societies Acts.

Not only is the principle underlying the Companies Acts opposed to the principle of co-operation, but various Acts of Parliament from 1834 onwards† have recognised this simple fact, with provisions by which the law has been made more in harmony with the aspirations and methods of the co-operative pioneers. The earlier Acts were repealed by the Industrial and Provident Societies Act, 1893, which is now in operation, and which provides for those things which are

* "Co-operative Book keeping," pages 307-8. † See page 6.

necessary to the bringing into practice the principle of co-operation. This is done in many ways—

(*a*) By widening the objects of this form of association of individuals.

(*b*) By removing any restrictions upon the total share capital which may be issued by a society, and facilitating its power to re-invest surplus capital.

(*c*) By giving power to make the capital withdrawable.*

(*d*) By giving power to declare and to carry out the principle of appropriating the profits to members in any manner provided in the rules, whether upon their shares as shareholders, their purchases as customers, their wages as employés, or upon their rents as tenants.

(*e*) By giving power to carry on the business of banking (under certain conditions).

(*f*) By giving power to appropriate funds from the profits for charitable, educational, or propaganda purposes, or any other purpose, whether within the objects for which the society is formed or not.

It will thus be seen what wide powers have been extended to associations built upon co-operative principles.

* In a joint stock company all share capital is transferable. The act of withdrawal would be the purchase by a company of its own shares, which is illegal.

APPENDIX TO CHAPTER I.

THE ACTS CONCERNING CO-OPERATIVE SOCIETIES.

Friendly Societies Act, 1834 (4 and 5 William IV., c. 40).

Permitting the formation of societies for any legal purpose.

Friendly Societies Act, 1846 (9 and 10 Vict., c. 27).

Permitting the formation of societies for the frugal investment of the savings of members, for better enabling them to purchase food, firing, clothes, or other necessaries, or the tools or implements of their trade or calling, or to provide for the education of their children or kindred.

Friendly Societies Act, 1850 (13 and 14 Vict., c. 115).

Containing the like provision.

Industrial and Provident Societies Act, 1852 (15 and 16 Vict., c. 31).

Generally called Mr. Slaney's Act, and was founded upon the report of the committee on the savings of the middle and working-classes.

Industrial and Provident Societies Act, 1854 (17 Vict., c. 25).

Amending the above.

Industrial and Provident Societies Act, 1856 (19 and 20 Vict., c. 40).

Amending the above.

Industrial and Provident Societies Act, 1862 (25 and 26 Vict., c. 87)

Consolidation and amendment of previous Acts.

Industrial and Provident Societies Act, 1867 (30 and 31 Vict., c. 117,

Amending the above.

Industrial and Provident Societies Act, 1871 (34 and 35 Vict., c. 80).

Amending the above.

Industrial and Provident Societies Act, 1876 (39 and 40 Vict., c. 45).

Consolidation and amendment of previous Acts.

Industrial and Provident Societies Act, 1893 (56 & 57 Vict., c. 39).

Re-enactment and Amendment of previous Act.

Industrial and Provident Societies Act, 1894 (57 Vict., c. 8).

Amendment of principal Act so far as it relates to Jersey.

Industrial and Provident Societies (Amendment) Act, 1895 (58 and 59 Vict., c. 30).

Appeals from refusal of Registrar to register a society.

CHAPTER II.

Inauguration and Registration

Preliminaries.

It does not come within the province of this work to explain the various methods of propaganda which are necessary to the formation of a co-operative society. A useful pamphlet* may be obtained from the Co-operative Union by those whose lot it is to be the pioneers of such a movement.

Formation.

The first step to the formation of a society is to find a few people who are filled with the desire to do for themselves, in their manufacturing or their trading, what up to that time has been done for them by others. When they realise that by a combination of their efforts and means they will be able to carry on a business and reap for themselves the benefit of such business without an intermediary, they come to a decision to form a co-operative society. The necessary driving force is supplied by the provisional committee and officers, who arrange all the matters requisite to registration. It is not, however, until the registration takes place that the society obtains its legal status as a corporate body under the Industrial and Provident Societies Act.

Objects of the Society.

Under previous Acts, societies could only be registered for the purpose of the carrying on of any labour, trade, or handicraft. The Act of 1893, however, includes provisions which give power to register societies for carrying on any industries, businesses, or trades specified in, or authorised

* How to start Co-operative Stores. By J. C. Gray.

by, its rules, whether wholesale or retail, and including dealings of any description with land (section 4),* thus giving co-operation a very wide field for its activities. Societies may appropriate funds from the profits for any purpose whatever, whether within the objects for which the society is formed or not, so long as the taking of such power is particularly specified in the rules.

Conditions of Registration.

The society as constituted cannot be registered unless it comply with the following conditions :—

(*a*) It must consist of at least seven members. (Section 5.)†

(*b*) It must have a clear, identifying name. (Section 5.)

(*c*) The word "limited" must be the last word of its name. (Section 5.)

(*d*) No individual member (*i.e.*, other than a registered society) shall hold more than £200 in share capital. (Section 4.)

(*e*) It shall not carry on a banking business if its share capital is withdrawable, unless the same be on deposit of not more than 10s. at a time, no separate depositor holding more than £20 at any one time, his holding being repayable at not less than two days' notice. (Sections 4 and 19.)

(*f*) The application for registration shall be signed by seven members and the secretary, and shall be accompanied by two printed copies of the rules for registration. (Section 5.)

Offices of Registry.

The United Kingdom is divided, for purposes of registry, into three divisions—England and Wales, Scotland, and Ireland. A society must be registered in that part of the

* See page 363.

† The sections of the Industrial and Provident Societies Act, 1893, are referred to, unless otherwise specifically stated. See "The Industrial and Provident Societies Act," with Explanation and Forms, published by the Co-operative Union.

United Kingdom in which its registered office is situate, but if a society intends to carry on business in more than one part, copies of its registered rules or registered amendments of the same must be sent to the Registrar of the other part, and until such is done and acknowledged the society shall not be entitled, in that part of the United Kingdom, to any of the privileges of the Act. (Section 5.)

The addresses of the Registrars are :—

England and Wales: Registry of Friendly Societies, Central Office, 28, Abingdon Street, Westminster, London, S.W.

Scotland: Registry of Friendly Societies, 3A, Howe Street, Edinburgh.

Ireland: Registry of Friendly Societies, 12, South Frederick Street, Dublin.

Rules to be Prepared.

The rules of the society under the Act at present in force can be prepared in any manner the society shall think fit, so long as they are not contrary to the provisions of the Act, but must contain certain provisions which are set forth in the second schedule of the Act, and certain statutory duties set forth in the text of the Act itself. Thus, one of the chief tasks of the provisional committee is to prepare these rules, and the trouble is often obviated, and law charges saved, by the adoption of the copyright Model Rules, published by the Co-operative Union, with such few special rules as may be necessary to adapt them to the particular society in question.

Provisions to be contained in the Rules.

The matters set forth in Schedule II. of the Act, which must be provided for in every society's rules, are as follows :—

(1) Objects, name, and registered office of the society.

(2) Terms of admission of the members, including any society or company investing funds in the society under the provisions of the Act.

(3) Mode of holding meetings, scale and right of voting, and of making, altering, and rescinding rules.

(4) The appointment and removal of a committee of management, by whatever name, of managers or other officers, and their respective powers and remuneration.

(5) Determination of the amount of interest, not exceeding two hundred pounds sterling, in the shares of the society, which any member other than a registered society may hold.

(6) Determination whether the society may contract loans or receive money on deposit, subject to the provisions of the Act, from members or others; and, if so, under what conditions, on what security, and to what limit of amount.

(7) Determination whether the shares or any of them shall be transferable, and provision for the form of transfer and registration of the shares, and for the consent of the committee thereto; determination whether the shares or any of them shall be withdrawable, and provision for the mode of withdrawal and for payment of the balance due thereon on withdrawing from the society.

(8) Provision for the audit of accounts, and for the appointment of auditors or a public auditor.

(9) Determination whether and how members may withdraw from the society, and provision for the claims of the representatives of deceased members, and for the payment of nominees.

(10) Mode of application of profits.

(11) Provision for the custody and use of the seal of the society.

(12) Determination whether, and by what authority, and in what manner, any part of the capital may be invested.

Statutory Duties.

The form of registration shows that not only is it required that the rules shall embody provisions relating to the matters set forth in the second schedule of the Act (section 10), but shall also specifically provide for certain matters which are called statutory duties or requirements. These statutory duties are as under :—

(*a*) To have a registered office, and to send to the Registrar notice of every change of address.* (Section 11.)

(*b*) To have its *full registered* name painted or affixed in legible characters on the outside of every office or place of business, and to mention it in all documents issued by it, and also to have it engraven upon its seal. (Section 12.)

(*c*) To have its accounts audited at least once a year, either by a public auditor *appointed as in the Act*,† or by two or more persons *appointed as provided by the rules*. (Section 13.)

(*d*) On or before the 31st March in each year to send to the Registrar an annual return of its receipts and expenditure, funds and effects. (Section 14.)

(*e*) To supply gratuitously to every person who has an interest in its funds, a copy of the last annual return for the time being. (Section 15.)

(*f*) To keep a copy of the last balance sheet, with the auditors' report, always hung up in a conspicuous place at the registered office. (Section 16.)

(*g*) To supply on demand a copy of rules *to any person*, on payment of a sum not exceeding one shilling. (Section 10.)

Rules to be Registered.

We shall presume that the rules have been prepared and passed by the members in general meeting (though, so far as the Registrar is concerned, the signature of the seven members

* See page 49.

† Thus, in the appointment of Public Auditor the Act overrides the rules.

and the secretary is sufficient authority), and *printed proofs* prepared, two of which, marked A and duly signed, must accompany the application for registration. (See page 16.)

Registration.

The form of application may now be duly filed with the Registrar. It is, however, advisable to accept the services of the Co-operative Union in the matter, as, not simply for reasons of policy, but also by way of saving expense, the new-born society should be affiliated, as will be seen by the extract given below of the Co-operative Union's circular, dated February 4th, 1907 : —

> "For the information of those engaged in the *formation of new societies* which it is intended to register under the Industrial and Provident Societies Act, 1893, and also for the *guidance of officials* connected with societies already registered, we publish the following new scale of fees, which has recently been made and approved by the Treasury under the powers contained in section 73 of the Act.
>
> "Up to now no fee has been payable for the registration of a new society, and 10s. has been the fee for the registration of an amendment of rules.
>
> "Under the new regulations the fee payable on the registration of a *new society is* £5, and for an *amendment of rules*, either partial or complete, *the fee is* £1.
>
> "The Chief Registrar has authority, under the new regulations, to use his discretion in the matter of registering a new society, and may reduce the fee of £5 payable for such registration to not less than £1 in the case of any society whose objects or rules, or other special circumstances, in his opinion, entitle such society to such reduction.
>
> "The Chief Registrar has agreed to issue his Certificate of Registration at the reduced fee of £1 to all societies affiliated with the Co-operative Union. In

order to obtain this reduction, *all new societies will be required to adopt rules approved by the Co-operative Union, to become affiliated with it, and to send the rules for registration through the Central Office of the Union, so that its stamp for approval may be attached.*"

Acknowledgment of Registry.

The duties of the Registrar with regard to the registration are carefully defined in the Act. He is required to examine the rules, and if satisfied that the society has complied with the provisions of the Act, shall issue to such society an acknowledgment of registry. (Section 6.)

If not satisfied, he may refuse to register the society, or any rules or amendment of rules, but the society has power of appeal to the High Court in England, or in Scotland or Ireland to the Chief Registrar, and if he refuse, to the Court of Session* in Scotland, or to the High Court in Ireland, who may overrule his objections, and acknowledgment must then be given. This acknowledgment of registry is conclusive evidence that the society is duly registered until it is proved that such registry has been suspended or cancelled. (Sections 7, 8, and 75.) It is given in the following form, and should be carefully preserved :—

ACKNOWLEDGMENT OF REGISTRY OF SOCIETY.

The.....Limited is registered under the Industrial and Provident Societies Act, 1893, this.....day of.....

[*Seal or stamp of Central Office, or signature of Assistant Registrar for Scotland or Ireland.*]

Cancellation or Suspension of Registry.

The Registrar has compulsory power under the Act to cancel the registry of a society in writing under his hand or seal—

(*a*) If the number of members is reduced to less than seven.

* Industrial and Provident Societies (Amendment) Act, 1895 section 3.

(*b*) If acknowledgment of registry has been obtained by fraud or mistake.*

(*c*) If the society has ceased to exist.

(*d*) At the request of the society, if supported by required evidence.

(*e*) If the society exists for an illegal purpose.

(*f*) If the society has wilfully, and after notice from the Registrar, violated any of the provisions of the Act.

In cases (*e*) and (*f*) he may suspend the registration for a term not exceeding three months, and may renew such suspension from time to time for a like period. In these cases, whether for suspension or cancellation, he cannot proceed without the approval of the Treasury.

In every case of cancellation or suspension, two months' notice to the society must be given; and notice of the cancelling or suspension must be published in the *Gazette* and some local paper as soon as practicable after the same takes place. The society has the right of appeal in the same manner as in the case of the Registrar's refusal to acknowledge registry. The effect of cancellation or suspension would be to take away from the society its right to enjoy the privileges granted to it by the Act, but without prejudice to any liability actually incurred, which may be enforced as if such cancellation or suspension had not taken place, thus placing its members under an unlimited liability jointly and severally for its debts. (Section 9.)

Amendment of Rules.

A society may amend its rules from time to time, either partially or completely, as it deems necessary, but such amendment shall not be valid unless the same has been registered as provided by the Act. The amendments must be duly authorised by the society in accordance with the rule in its registered rules (which has to be provided as required in clause 3 of the second schedule of the Act) relating to the mode of making, altering, or rescinding rules.

* See page 158.

The application for amendment must be in the form required (see page 18), signed by the secretary, and in a partial amendment must be accompanied by—

(*a*) A printed copy of the registered rules, marked to show where the alterations occur, and what they are.*

(*b*) Two printed (or written) copies of the amendment, each marked "O," and signed by the secretary and *three* members of the society.

(*c*) A statutory declaration of an officer of the society (see page 21) that the amendment now submitted for registry has been duly made by the society, and that to the best of his knowledge and belief the same is not contrary to the provisions of the Act in that behalf.

(*d*) The fee of £1 prescribed by the Treasury Regulations.

In the case of the complete amendment of rules, another form of application is required (see page 19), and should be signed by the secretary, and must be accompanied by—

(*a*) A printed copy of the registered rules marked "A."

(*b*) Two printed copies of the new rules proposed by way of complete amendment, each marked "P," and signed by the secretary and *three* members of the society, as in the case of a partial amendment.

(*c*) A statutory declaration of an officer of the society (see page 21), that the amendment now submitted for registry has been duly made by the society, and that to the best of his knowledge and belief the same is not contrary to the provisions of the Act in that behalf.

(*d*) The fee of £1 prescribed by the Treasury Regulations

* Where the rules are partially amended these should be attached to the rules already printed, or to any subsequent reprint. They cannot be embodied, after registration, in the text of the rules except in the case of a complete amendment of rules duly registered as above.

APPENDIX TO CHAPTER II.

INDUSTRIAL AND PROVIDENT SOCIETIES ACT, 1893, 56 and 57 Vict. c. 39.

Form A.

Reg. 1. *Application to Register a Society.*

Name of Society.....Limited.

To the Registrar of Friendly Societies.

Application to register a society under the above-mentioned Act, under the name of.....Limited, is made by the eight persons whose names are subscribed at the foot hereof.

1. The object, name, and registered office of the society are provided for in Rule No.* [*state number*].

2. The terms of admission of members, including any society or company investing funds in the society under the provisions of the Act, are provided for in Rule No. [*state number*].

3. The mode of holding meetings and right of voting, and the manner of making, altering or rescinding rules, are provided for in Rule No. [*state number*].

4. The appointment and removal of a committee of management (by the name of.....), of managers or other officers, and their respective powers and remuneration, are provided for in Rule No. [*state number*].

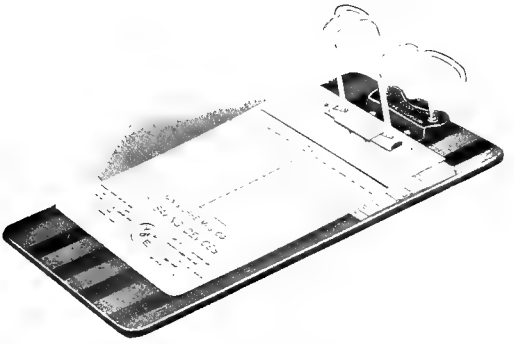
5. The determination of the amount of interest, not exceeding 20 *l* sterling, in the shares of the society, which any member other than a registered society may hold, is provided for in Rule No. [*state number*].

6. The determination whether the society may contract loans or receive money on deposit subject to the provisions of the Act from members or others, and if so under what conditions, on what security, and to what limits of amount, is provided for in Rule No. [*state number*].

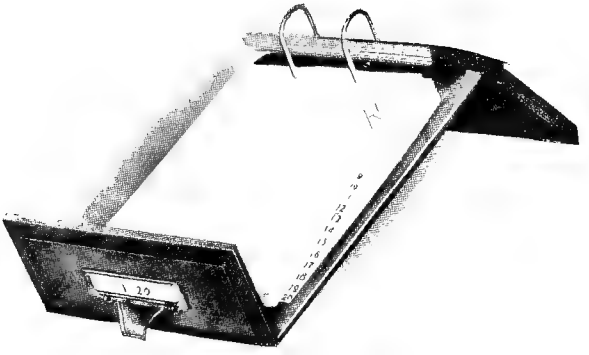
7. The determination whether the shares or any of them shall be transferable, and the form of transfer and registration of the shares,

* Where a provision is contained in more than one rule a reference should be made to each.

THE "SHANNON" FILE.



THE LOOSE FILE.



SHOWING THE DRAWER OF CABINET.

[Kindly lent by the "Shannon" Limited.

PLATE II.

To face page 16.

and the consent of the Committee thereto, and the determination whether the shares or any of them shall be withdrawable and the mode of withdrawal, and the payment of the balance due thereon on withdrawing from the society, are provided for in Rule No. [*state number*].

8. The audit of accounts and the appointment of auditors or a public auditor are provided for in Rule No. [*state number*].

9. The determination whether and how members may withdraw from the society, and the claims of the representatives of deceased members or the trustees of the property of bankrupt members and the payment of nominees, are provided for in Rule No. [*state number*].

10. The mode of application of profits is provided for in Rule No. [*state number*].

11. The custody and use of the seal of the society are provided for in Rule No. [*state number*].

12. The determination whether and by what authority and in what manner any part of the capital may be invested is provided for in Rule No. [*state number*].

13. The statutory duties of the society are set forth in Rules No. [*state number*].*

With this application are sent -

(*a*) Two printed copies of the rules, each marked A., and signed by each of the applicants.

Signature of Member.	Residence of Member.
1.....	.....
2.....	.....
3.....	.....
4.....	.....
5.....	.....
6.....	.....
7.....	.....
8.....Secretary.	

....(*Postal Address*).

Registered Office.....

Date.....day of.....19

* Model forms of rules for this purpose may be obtained from the Registrar.

INDUSTRIAL AND PROVIDENT SOCIETIES ACT, 1893.

56 and 57 Vict., c. 39.

Form B.
Reg. 3.

Application to Register a Partial Amendment of Rules.

Name of Society.....Limited.

Register No.....(*County*).....

TO THE REGISTRAR OF FRIENDLY SOCIETIES.

Application to register a partial amendment of the rules of the .....Limited is made by the person whose name is subscribed at the foot hereof.

With this application are sent—

(*a*) A printed copy of the registered rules, marked to show where the alterations occur, and what they are;

(*b*) Two printed [*or written*] copies of the amendment, each marked O., and signed by the applicant and three members of the society;

(*c*) A statutory declaration of an officer of the society, that the amendment now submitted for registry has been duly made by the society, and that to the best of his knowledge and belief the same is not contrary to the provisions of the above-mentioned Act in that behalf;

(*d*) The fee of £1 prescribed by the Treasury Regulations.

Signed,.....
Secretary.

.....(*Postal Address.*)

Registered Office.....

Date.....day of....., 19

INDUSTRIAL AND PROVIDENT SOCIETIES ACT, 1893, 56 and 57 Vict. c. 39.

Form D.

Reg. 4.

Application to Register a Complete Amendment of Rules.

Name of Society.....Limited.

Register No.....(*County*).....

To the Registrar of Friendly Societies.

Application to register a complete amendment of the rules of the .....Limited, is made by the person whose name is subscribed at the foot hereof.

1. The object, name, and registered office of the society are provided for in Rule No. [*state number*].

2. The terms of admission of members, including any society or company investing funds in the society under the provisions of the Act, are provided for in Rule No. [*state number*].

3. The mode of holding meetings and right of voting, and the manner of making, altering or rescinding rules, are provided for in Rule No. [*state number*].

4. The appointment and removal of a committee of management (by the name of.....), of managers or other officers, and their respective powers and remuneration, are provided for in Rule No. [*state number*].

5. The determination of the amount of interest, not exceeding 200*l* sterling, in the shares of the society, which any member other than a registered society may hold, is provided for in Rule No. [*state number*].

6. The determination whether the society may contract loans or receive money on deposit subject to the provisions of the Act from members or others, and if so under what conditions, on what security, and to what limits of amount, is provided for in Rule No. [*state number*].

7. The determination whether the shares or any of them shall be transferable, and the form of transfer and registration of the shares, and the consent of the Committee thereto, and the determination

whether the shares or any of them shall be withdrawable and the mode of withdrawal, and the payment of the balance due thereon on withdrawing from the society, are provided for in Rule No. [*state number*].

8. The audit of accounts and the appointment of auditors or a public auditor are provided for in Rule No. [*state number*].

9. The determination whether and how members may withdraw from the society, and the claims of the representatives of deceased members or the trustees of the property of bankrupt members and the payment of nominees, are provided for in Rule No. [*state number*].

10. The mode of application of profits is provided for in Rule No. [*state number*].

11. The custody and use of the seal of the society are provided for in Rule No. [*state number*].

12. The determination whether and by what authority any part of the capital may be invested is provided for in Rule No. [*state number*].

13. The statutory duties of the society are set forth in Rule No.....[*state number*].*

With this application are sent

(*a*) A printed copy of the registered rules, marked A ;

(*b*) Two printed copies of the new rules proposed by way of complete amendment, each marked P, and signed by the applicant and three members of the society ;

(*c*) A statutory declaration of an officer of the society, that the amendment now submitted for registry has been duly made by the society, and that to the best of his knowledge and belief the same is not contrary to the provisions of the above-mentioned Act in that behalf ;

(*d*) The fee of £1 prescribed by the Treasury Regulations.

Signed,.....

Secretary.

Registered Office,.....

Date.....day of.....19

* Model forms of rules for this purpose may be obtained from the Registrar.

INDUSTRIAL AND PROVIDENT SOCIETIES ACT, 1893.

56 and 57 Vict., c. 39.

Form C.

Reg. 3.

Declaration in support of an Amendment of Rules.

Name of Society.....Limited.

Register No.....

County of.....to wit.

I,....., of ..... an officer of the above-named society, do solemnly and sincerely declare that the amendment of the rules of the said society, a copy of which is hereto annexed, has been duly made by the society, and that to the best of my knowledge and belief the same is not contrary to the provisions of the Act above referred to.

And I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1835.

.....

Signature of Declarant.

* Taken and received before me, one of His Majesty's Justices of the Peace for the said county of..... at.....in the said county, this.....day of 19

* This is to be altered as the case requires where any declaration is made before a Borough Magistrate or Commissioner for Oaths.

CHAPTER III.

The Secretary and his Staff.

The Secretary *pro tem.*

It will be noted in a previous paragraph that there must be a provision in the rules describing the appointment and removal of officers and committee ; it follows, therefore, that the secretary will be subject to this clause. In the meantime the fact that he has signed the application form as such officer retains him in this position until the appointment as per rule takes place. It is thus seen that the secretary *pro tem* has upon his shoulders the duties of convening, arranging, and generally engineering the preliminaries until the society is incorporated, and upon his attention and devotion the movement largely depends. He thus has authority invested in him which may be in a sense autocratic until the "written constitution" is registered, clearly defining and limiting his position. He will, therefore, be well advised not to take upon his shoulders any individual responsibility for any act done in the formation. He will attend all the meetings, taking full notes of the proceedings, and obtaining the signature of the president *pro tem* to them as a correct record. Nor should he enter into any contract personally, but only join in such contract by the authority of such provisional committee, and with them as their secretary. As the arrangements are completed, he will see that all necessary documents are registered and filed and all legal requirements are fulfilled. He will also see that his own appointment as secretary *pro tem.*, and afterwards his appointment under the rules, are properly recorded in the minutes of the proceedings.

Appointment of Secretary.

The second Schedule of the Act (clause 4) already

referred to, requires the rules to provide for the appointment and removal of the officers, and their respective powers and remuneration; and Rule 101* stipulates that there shall be a secretary, and the following regulations shall apply to him:—

(1) He shall be elected at the first ordinary business meeting of the society after it has been registered, and subsequently at the first ordinary business meeting in each year;

(2) *He shall be a member of the society*, and shall be disqualified from office by the same circumstances which are disqualifications for a committee-man,† and shall be removable from office by such a majority as can remove a committee-man.‡

(3) He shall be re-eligible, and if no successor is appointed on the termination of his office, shall continue in office until the next regular period of election;

(4) A vacancy in his office shall be filled up at the next ordinary business meeting after it occurs, and if not then filled up by the members, may be filled up by the committee;

(5) The person appointed to fill up a vacancy shall continue in office only until the regular time of election subject to provision (3).

Remuneration and Security.

The ordinary business meetings shall from time to time determine the remuneration of the secretary, if elected at

* The Model Rules of the Co-operative Union are quoted throughout this work. Applications for these rules should be made to the Co-operative Union.

† A person is disqualified from being a committee-man if he holds any place of profit under the Society other than by remuneration voted by ordinary general meeting for services rendered to the Society; or if he becomes bankrupt, or is concerned in the profits of any contract made with the Society, except as a member of any society or company which contracts with or does any work for it. Rules 88 and 105.

‡ At any time by two-thirds of the members present and voting at a special general meeting (Rule 87).

such meetings (Rule 105). Rule 106 requires that security shall be given by the secretary (and any other person in charge of any moneys of the society) under the penalty of £1, *before entering upon the execution of his office*, either by entering into an agreement, or by becoming bound, with or without a surety as the committee require, according to the forms in Rule 138 (see pages 38-40), or such forms as they approve from time to time, or by giving the security of a guarantee society in such sum as they direct.

Duties.

Rule 102 defines the duties of the secretary to be as follows :—

(*a*) He shall summon and attend all meetings of the society and the committee, and of any sub-committee, if so required by the committee, and shall keep minutes thereof in such manner as the committee direct ; *

(*b*) He shall make such returns relating to the business of the society as the committee require ; †

(*c*) He shall have charge of all the documents and the papers of the society,‡ and if required by the committee shall keep the accounts in such manner as they direct ;

(*d*) He shall keep all the books relating to shares, loans, or deposits required to be kept under the rules of the society, and the list of members, and shall receive all contributions, fines, and other moneys due from the members to the society, keep the accounts thereof, and pay the amount so received as the committee direct ;

(*e*) He shall prepare and send all returns required to be made to the Registrar ;

(*f*) He shall in all things act in the discharge of his duties *under the direction and control of the committee.*

* See Chapter XXXI. † See page 33. ‡ See page 41.

Secretary Appointed by the Committee.

Though the members* have in their hands the appointment, removal, and remuneration of the secretary (Rule 101), and though sometimes it may not prove very unsatisfactory, yet societies are being gradually converted to the wisdom of modifying their rules so that these powers are delegated to the committee. As it has been already shown, the secretary has in any case to act in the discharge of his duties under the direction and control of the committee, and it is therefore only logical that his appointment, removal, and salary should be under their control also, the possibility of any undue exercise of their powers being safeguarded by the fact that their actions in committee are always subject to the criticism of the general business meetings. Where the appointment has been in the hands of the members, it has often happened that they have elected in a packed meeting some member of the committee, or one of the members, whose so-called qualifications for the post have been confined to his having been in evidence at the business meetings or being a good propagandist, yet having had no special experience and training requisite for a post of such detailed responsibility.

Again, where the committee have no power of removal, they have not the same power to insist upon the secretary obeying their directions, because he knows that it requires much courage and an exceedingly strong case for them to ask the society in a general meeting to remove him, and even then the interests of the society may be forgotten in the division of the members into factions, and in undesirable personalities, causing a shaken confidence in the society and those other results which always follow when "dirty linen is washed in public." Members of committee have ample opportunities, in the course of their public work, of gaining prestige and advancement in the co-operative movement, either as candidates for the Board of the Co-operative Union, the Wholesale, and other productive and federated

* The committee may also fill up a vacancy if the members do not appoint at the first meeting after such vacancy occurs. (See page 23.)

societies, or in the various schemes of co-operative propaganda. On the other hand, the important post of secretary should be confined to the employés of the movement, whose service often disqualifies them, through prejudice, for positions in private trade; yet whose practical knowledge of each stage of co-operative office work guarantees their suitability for a post requiring specialised training and experience. With this in mind, the formation of a secretaries' association, which will organise their specialised ability, is to be welcomed, and if such scheme be wedded to the new scheme of secretaries' classes (for which chiefly this book has been written at the request of the Educational Department of the Co-operative Union) in a manner so as to make the secretaries' certificate eventually a qualification for membership, a guarantee of the financial integrity of the movement will be given which will prove a bed-rock of security upon which the leaders of co-operative propaganda can build a much mightier structure. The flow of employés from society to society gives the opportunity of advancement where the local opportunities are limited, and tends to a uniformity of plan, the broadening of views, and the diffusion of ideas. Societies have yet to obtain the high-class efficiency in office work and routine which joint-stock companies have had to adopt on account of the stress of home and foreign competition and the strengthening of the law. The new Bill before Parliament will have some effect in this direction, as the compulsory employment of public auditors will stimulate courageous and independent action, untrammelled by local circumstances, or any inclination on the part of auditors to adopt a policy of *laissez faire*. Though the result will be to open the office methods to keener criticism, a secretary who is anxious to improve himself and be as efficient as possible will welcome such a change as an advantage, and the movement generally will be greatly benefited.

The Treasurer and His Duties.

One of the officers whose appointment is provided

by the rules is the treasurer whose election is similar in all respects to that of the secretary, and whose duties are defined in Rule 102, as follows: —

(*a*) He shall supervise the accounts and payments of the society, which shall be entered in the books thereof as he from time to time directs, subject to the orders of the committee;

(*b*) He shall lay before the committee at such times as they direct, and, in default of any other direction, at the first meeting in every month, a statement of the business of the society, showing such particulars as the committee require;

(*c*) He shall discharge the functions relating to the receipts or payments of the society which the committee may direct;

(*d*) Any general meeting may substitute the bankers of the society in place of the treasurer, in which case any duties hereby assigned to the treasurer may be discharged in such manner as the meeting directs, and the election of an officer as treasurer shall cease to be made.

The manner of fixing remuneration for, and giving security by, the secretary, applies equally in the case of the treasurer.

The Treasurership—An Obsolete Office.

In the early days of co-operative societies, the secretary and treasurer were officers whose duties were performed in the evening; the secretary keeping the minutes, taking charge of all documents and papers, and receiving all moneys, which he handed over to the treasurer, who made all payments. Each kept a cash book, practically identical in terms, which was to all intents and purposes the only book of account. As societies increased in size, permanent secretaries were appointed whose work gradually encroached upon that of the treasurer; and as banks were brought into

requisition, the treasurer's duties became confined to the collection of shop receipts and the deposit of the same into the bank, all payments that were not drawn by cheque being made by the secretary. As the office grew in size and increased in personnel, either a cashier was appointed, or the shopmen deposited directly into the bank their own receipts. Thus the office of treasurer became obsolete, the bank being in fact the treasurer, and the books of account came under the complete control of the secretary, who was responsible for the same to the committee, and upon whom also devolved the duties assigned to the treasurer by Rule 102. In many small societies, where the position of secretary is practically a "one-man" office, the treasurership is still retained for the separate collection and deposit into the bank of shop-receipts, but it is, to say the least, unnecessary where the rule of depositing all receipts by the shopmen into the bank direct is adhered to, and a proper audit is conducted. At any rate, in larger societies the treasurership should be discarded, and the secretary made responsible for the whole of the society's moneys; and the actual handling of the same should be allotted to the various members of the staff in such a manner as to compel the interlacing of duties to automatically prevent a fraud of any extent.

The Secretary—An Officer.

The name "officer" has a special legal significance in connection with the Industrial and Provident Societies Act, and certain legal responsibilities attach to the term. Under section 79 it includes the secretary, treasurer, manager, members of the committee, or any servant appointed by the members. Every offence by the society under the Act is deemed to have been committed also by every officer of the same who was bound by the rules to fulfil the duty of which the offence was a breach (section 63). When, therefore, the secretary's appointment is made by the committee, though his duties may from time to time be determined by the committee, yet his duties as per rule remain, as stated in a previous paragraph, subject to any such determination.

Offences and Penalties.

The ordinary offences, for which *a penalty not exceeding* £5 may be inflicted, are—

(1) Failing to give any notice, or send any return or document required by the Act;

(2) Failing to do, or allow to be done, any act or thing which the society is required by this Act to do or allow to be done;

(3) Wilfully neglecting or refusing to furnish information required for the purposes of this Act by the Chief Registrar, or person appointed by him;

(4) Making a false or insufficient return;

(5) Carrying on the business of banking while the society has any withdrawable capital, or failing to make out the statement required to be kept by societies doing banking business;

(6) Giving to any person a copy of any rules other than the registered rules for the time being, with intent to mislead, and in the pretence that such are the existing rules of the society. (Sections 62 and 67.)

Special offences, for which *a penalty not exceeding* £50 *for each separate offence* may be imposed, are—

(1) The wilful making, or permitting to be made, any entry, erasure in, or omission from, any balance sheet, contribution or collecting book, or return or document required under the Act, with intent to falsify it or evade any provision of the Act;

(2) The using as the seal of the society any seal on which its *full registered* name is not engraved;

(3) The issuing, or authorising to be issued, any notice, advertisement, or other official publication, or bill of parcels, invoice, receipt, or letter of credit of the society, or signing or authorising to be signed on its behalf, any bill of exchange, promissory note, endorsement, cheque, or order for money or goods, wherein its *full registered* name is not mentioned. (Sections 65 and 66.)

In the case of (3), in addition to the penalty of £50, the person guilty of this default will incur a personal liability to pay any such bill of exchange, promissory note, cheque, or order for money or goods, if not duly met by the society. (Section 66.)

Misappropriation and Fraud.

It might be well to state here that, in addition to the ordinary legal process of indictment, a secretary, manager, member, servant, or any person who wilfully misapplies the property of a society, or obtains possession of such property by false representation or imposition, shall be liable on summary conviction to a fine not exceeding £20, and to be ordered to deliver up all such property or to repay all moneys applied improperly; and, in default of either, to imprisonment for a period not exceeding three months. (Section 64.)

Accounts of Officers Rendered.

Every officer of a society (and every servant who is not engaged under a special agreement to account) who has receipt or charge of money, at such times as the society may direct, or subject thereto as the committee may require, or upon demand made, must account for all moneys that have passed through his hands, and pay over the balance, after allowing for all proper disbursements; if he neglect or refuse to do so, the society may sue upon the bond or security he has given, or apply to the Courts for summary recovery. (Section 48 and Rule 102.)

The Training of a Secretary.

A secretary should have had a sound elementary education, in which writing, English composition, and arithmetic should be essential features. He should have acquired a *correct* knowledge of shorthand, that is to say a knowledge which will allow another person to read his manuscript, not written in terms only known to himself. In book-keeping he should have a sound knowledge of the principles, which he has learnt in the up-to-date and what is now accepted to be

the best method, evolving the same from the concrete examples set before him in his daily work. A secretary should be able to have a coherent idea of the whole of the transactions of a society, and some practical experience in all the departments is necessary to be able to accomplish this. It would be an advantage if some scheme of apprenticeship could be adopted which would allow of a youth, after a short period in the office giving him a training in the simpler duties of office work, to serve a year in the shop, which would not only familiarise him with the check system, the manner of dealing with cash, and the accounting for the same on the shop manager's sales sheet,* the record of transfers,† and the principle upon which the trade account is made up; but also teach him the method of trade on which the society depends, the kinds, qualities, and retail prices of goods, and give him the smartness and address required in dealing with members. It will also give him mental quickness in pricing parcels, agility in figuring, and accuracy in giving change. To take the *first stage* examination in co-operative book-keeping, which might be made an essential feature of his apprenticeship, would be to impress upon his mind the result of his practical experience, which would be of considerable value in future years in his position as secretary. In the office he should not be permitted to run into a groove, but by a well-judged change from time to time he should be given an opportunity of serving in each department, whether in the share, or the ledger, goods, check, or cash offices. This change is also of value to the society generally, as it is in itself a preventive of a long course of concealed fraud. It might also be necessary to his apprenticeship that he learn the history of the movement by taking one of the earlier stages of the examination in Co-operation, and understand the principles of the balance sheet by taking the *second stage* in co-operative book-keeping, the work for which will run side by side with, and be assisted by, the practical experience he has gained. Once out of his

* See "Co-operative Book-keeping," page 65; also page 457.
† See page 237.

apprenticeship, he will become a senior clerk, and the committee should be alive to the fact that unless a young man is advancing he is of no use to the society, and opportunities should be allowed to him to improve himself, either in the same society or some other with greater scope. When the salary list is examined, the secretary should always be ready to advise the committee as to the clerk's value, and an advance in salary must always be accompanied by a capacity for more valuable service, for which opportunity must be provided. The aspirants to a shop manager's position would also be helped by the discipline of a short time of training in an efficient office, and committees should not be so shortsighted as not to take advantage of this where it is possible. A good secretary should be a capable organiser, and be able to carry completely into practice the advice of the public auditor, who is generally an expert in such matters. To accomplish this he must be able to take a bird's eye view of the whole of the business of the society, and a well-judged course of training in all the departments will give him the practical experience necessary to this end. The secretary should be familiar with the Industrial and Provident Societies Act, the rules of his society, and those points in commercial law which the society will meet with in the ordinary course of its business operations. He should learn the difficult task of "keeping his eyes and ears open and his mouth shut," as he stands in a fiduciary capacity towards the committee. Though the details of the office work are done by his staff, he must not only know himself how to perform it, but how to instruct the clerks, and he should exercise a personal supervision over the whole of the work as if it had been done by him personally. This book is an attempt on the part of the Co-operative Union to give the secretary that special knowledge necessary to his office which, combined with the teaching of the companion volume "Co-operative Book-keeping," should acquaint him with the responsibilities of a position which will be a source of inspiration and pride to anyone who attains to it.

"SHANNON" FILING.

THE PERFORATOR.

SHOWING THE METHOD OF RELEASING DOCUMENTS

PLATE III.

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To face page 32.

The Balance Sheet.

The secretary should be able to understand the details of the balance sheet. Though the committee are responsible for the form in which it is presented to the members, the details in practice are usually left to the secretary and the auditor, who co-operate in compiling the same from the figures of the balanced books produced by the various departments. These figures, in a proper and efficient system of double entry, lock themselves up when put together in balance sheet form. Thus the final results are proved as to figure correctness, the detailed audit being a proof of the absence of technical errors or errors of principle. It is therefore to be recommended that the secretary shall have obtained the *third stage* certificate in co-operative book-keeping, which will be a guarantee of his knowledge under this head.

The Office—The Brain of the Society.

It has been said that the office is to the business as a mainspring is to a watch. It is the nerve centre, which should be so sensitive as to indicate immediately the leakages or errors in any department of its operations. A secretary should be in charge of an office so efficiently organised as to enable him to place before the committee *at any time*, without special investigation or research, comparisons or statistics* on any matter connected with the business that the committee may require to assist their deliberations. He should not scorn tables of comparison, arranged in a form that at a glance the effect of the same over a period of years may be ascertained. He must cultivate business accuracy, which can only be obtained by the "infinite capacity for taking pains," and a determination to get to the root of each matter that comes under his notice.

Relations with the Committee.

Although a good secretary should be the "eyes and ears of the committee," he should in all respects in the discharge of his duties act under their control and authority,† thus

* See page 24; also frontispiece. † See page 24.

making them directly responsible for his acts to the members in general meeting assembled. The secretary will be careful to obtain and follow instructions, for if they are not sufficiently precise and definite, and no discretionary power is expressly allowed him, he has no authority to exceed or vary such instructions. He will take care to obtain such instructions from the committee, properly assembled in committee meeting, and not from a single member of the committee, unless such member has, by resolution, been authorised to deal with the matter in hand. At the same time, an able man in whom the committee have confidence is allowed much discretion and power of initiative, which give room for the cultivation of those qualities that make a good secretary; but he should be chary of using such discretion and initiative without being sure that his acts will be confirmed, or that he does not appear to take upon himself power and authority which it would be dangerous in principle to invest in him.

Relations between the Secretary and Managers.*

It should be understood that in the evolution of the co-operative society the secretary and manager have each acquired a distinct status, each being responsible for his own staff, and each directly responsible to the committee. At the same time, the secretary is in charge of all records and the method of recording and organisation, and the manager, without necessarily prejudicing his position as such officer, will adapt himself to the office methods; the secretary also refraining from interfering with the actual management other than that of the office and its records. It is, perhaps, unnecessary to refer to the fact that where, by officiousness or even by an appearance of overlapping of duty, the secretary's and the manager's interests seem to clash, a good working arrangement, lubricated by that valuable quality, "tact," can always be made without the undignified recourse to the committee's

* Some societies have separate departmental managers, each directly responsible to the committee for a series of shops. In Scotland the secretary is usually a minute secretary, the manager performing the secretarial duties, and having supreme control.

ruling. It is foolish, perhaps, in a treatise of this kind to advise a manager to "know his place and keep it," as the inevitable *tu quoque* might be returned by him to the secretary. On difficult points, the best remedy is to agree upon a sound working basis, *and keep to it.* At the same time, the duties of the respective offices are so separate in their general character that it is not usually advisable, for reasons on which we need not dwell unduly, to combine the two offices in one appointment.

The Personnel of the Staff.

Although the servants are appointed and removed by the committee, a secretary will take an interest in the selection of his staff. He will see the value of having good men as his lieutenants, and if he possesses the confidence of the committee, they will consult him as to the merits of appointment. It is a good thing to require a certificate in "Co-operative Book-keeping." Though this in itself does not guarantee that he is a trained man of business, yet the fact that the teaching is based on *actual co-operative experience* gives such an applicant a greater claim for consideration than one who does not possess the certificate; and the mere possession of such a certificate is an indirect proof of the ambition and industry of the person who holds it. The secretary should have a clear idea of the qualifications necessary for the vacant appointment, and be able to advise the committee accordingly. Written testimonials should not be relied upon, as they not only may be out of date, but the mere fact that the contents are known to the applicant discounts their value. The best method is by means of references, which should always be used, and a private and confidential character obtained; this should be followed up by a personal interview, as the manner and address of the applicant gives a very fair idea of his capacity, always allowing for nervousness, the usual accompaniment to what is generally a trying ordeal. The question of remuneration should be a secondary considera-

tion, and a salary slightly higher than the market value gives the choice of the best men, who would otherwise be engaged by more advanced societies, or driven out of the movement altogether. "A good man is always worth his pay."

Conditions of Employment.

The power of dismissal of servants is in the hands of the committee, and as it is not usual in the co-operative movement for appointments to be made under written agreement, the length of notice required depends upon the manner in which their salaries are paid. Where salaries are paid weekly, only one week's notice is required, or a week's salary given in lieu of notice. Servants may not be dismissed capriciously. The secretary should see that the fact of dismissal and the ground of dismissal are entered in the minutes of the committee, to clear himself from any onus in the matter. An employé may be dismissed without notice for disobedience to orders *properly given*, immorality, drunkenness, dishonesty, gross negligence, absolute incompetency, conduct incompatible with his duties, permanent disablement through sickness, either mental or physical, or fraudulent concealment of some material fact at the time of his engagement. He can also be dismissed for the receipt of illicit commissions, in addition to his being liable to be convicted under the Prevention of Corruption Act. If the employé brings an action for wrongful dismissal, the society is bound to justify its act before the Court, but the society need not state at the time of dismissal why it dismissed the servant. A servant is bound to obey orders properly given, no matter how inconvenient and unreasonable, provided they are lawful and within the scope of his employment. He must also exercise reasonable care and skill. The acceptance of employment is a contract implying that the employé has a certain amount of competence to perform the work undertaken, and the amount of skill required depends chiefly upon the nature of the work and the remuneration paid. An underpaid clerk would be protected by the Court, which will

also protect the servant from unreasonable action on the part of the society where he has been engaged to do something which he has not done before. The society is liable for all acts of servants done in the course of their employment, and within the scope of the society's directions, either expressed or implied. An employer is not compelled to give a character, but if given it must be true. It is privileged if only made to interested parties, but must be made orally or by letter, and not by telegram or postcard. A society which suffers in consequence of a character wrongfully given has a claim for damages against a society which gives such a character, and though actions at law between societies are never heard of, yet the spirit of the law should be observed for the safety of the movement.

Relations between the Secretary and the Staff.

A smart secretary will not be jealous of his staff, or refuse to give them, within reason, the advantage of his experience. He will not keep them in grooves, but by a careful judgment will change their departments so as to add to their experience and efficiency. He will not disparage a certain amount of discontent, as that is the best sign of ambition, and he will assist those who are unable to improve themselves within the limits of his own office to positions in other societies of more scope. He will cultivate a spirit of fellowship among the employés, take an interest in their doings, and treat them, not as machines, but as human beings whose co-operation with him is necessary to the welfare of the society. In making changes he will not interfere with their relations among themselves, that is to say, change a clerk to a position of inferior status in the office, unless the course has the highest justification. He will be willing to encourage them to pass the Union examinations, and to arrange the office work so as to allow them some latitude for study, if not to act as their teacher. It is to his interest to have cheerful, willing assistants, and he will find that his own anxieties and responsibilities will be much lightened in consequence.

APPENDIX TO CHAPTER III.

AGREEMENT* OF SECURITY BY OFFICERS IN ENGLAND OR IRELAND.

WITHOUT A SURETY.

[See the Act, Schedule III. (1).]

This Agreement, made the.....day of.....between A B, of.....and the Playfair Co-operative Society Limited, established at Playfair, in the county of Shopshire, herein called the society.

Whereas the said A B has been appointed to the office of .....in the society on condition of his entering into this agreement. *Now it is hereby witnessed* as follows :—

The society agrees with the said A B.

[State salary or other equivalent, if any ; if not, omit this part altogether.]

The said A B, in consideration of the premises, agrees with the society to render a just and true account of all moneys received and paid by him on account of the society at such times as the rules thereof appoint, and to pay over all the moneys remaining in his hands, and assign and transfer or deliver over all property (including books and papers) belonging to the society in his hands or custody to such person or persons as the society or the committee thereof appoint, according to the rules of the society, together with the proper and legal vouchers for such payments ;

And in case of any default in performance of these agreements, then that he, his heirs, executors, or administrators, shall pay the society the sum of.....pounds as liquidated damages. In witness whereof the said A B and the undersigned C D, in the name and by the authority of the society, have set their hands the year and day first aforesaid.

Witness		A B
to the	X Y	
Signatures.		C D

* The reason for using an agreement instead of a bond where there is no surety is that an agreement, if not under seal, is liable to a stamp duty of 6d. only, while a bond is liable to duty at the rate of 2s. 6d. for every £100, though an agreement is equally effectual in this case. With a surety a bond is preferable as more safe against legal objection.

BOND* OF SECURITY BY OFFICERS IN ENGLAND OR IRELAND.

WITH A SURETY.

[See the Act, Schedule III. (1).]

Know all men by these presents that we, A B, of..... one of the officers of the Playfair Co-operative Society Limited, established at Playfair, in the county of Shopshire, and C D, of....., as surety for and on behalf of the said A B, are jointly and severally held and firmly bound to the said society in the sum of.....to be paid to the said society or their certain attorney, for which payment well and truly to be made we jointly and severally bind ourselves and each of us by himself, our and each of our heirs, executors, and administrators, firmly by these presents sealed with our seals.

Dated this.....day of.....

Whereas the above bounden A B has been duly appointed to the office of.....of the society established as aforesaid, and he, together with the above bounden C D, as his surety, have entered into the above-contained bond, subject to the conditions hereinafter contained; now, therefore, the condition of the above-contained bond is such that if the said A B do render a just and true account of all moneys received and paid by him on account of the said society, at such times as the rules thereof appoint, and do pay over all the moneys remaining in his hands, and assign and transfer or deliver over all property (including books and papers) belonging to the said society in his hands or custody to such person or persons as the said society or the committee thereof appoint, according to the rules of the said society, together with the proper and legal vouchers for such payments, then the above-contained bond shall be void, but otherwise shall remain in full force.

[The seals and signatures of the officer and surety should be affixed here. The seal may be a wafer put opposite the name of the signing party, on which he should put one finger, and say, "I deliver this as my act and deed."]

Sealed and delivered in the presence of us—

X Y, of
Y Z, of

[There must be two witnesses to each signature, but the same persons may witness both. If the officer and his surety sign before different witnesses, the form of witnessing should be repeated.]

* See footnote on previous page.

Bond of Security by Officers in Scotland.

With a surety.

[See the Act, Schedule III. (2).]

I, A B, of.....hereby bind and oblige myself to the extent of £.....at most, as caution and security for C D, a person employed by the Playfair Co-operative Society Limited, that he, the said C D, shall, on demand, faithfully and truly account for all moneys received and paid by him for behoof of the said society, and also assign and transfer or deliver over all property, including books and papers, belonging to the said society in his hands or custody, and that to such person or persons as the said society, or the committee thereof, appoint, according to the rules of the said society.

Dated at.....this.....day of.....

.....Signature of Cautioner.

E F, of .....witness.

G H, of .....witness.

[N.B.—The Act provides that the above bond shall not require a testing clause or a subscription clause, and may be wholly written or wholly printed, or partly written and partly printed.]

CHAPTER IV.

Office Arrangement.

The Registered Office.

The society, having now been registered, becomes a corporate body—as such can sue and be sued,* and as such commences business; the office, therefore, over which the secretary presides, becomes the pivot around which the whole machinery of the society revolves. The name-plate of the society is placed outside the door, to indicate to the general public the registered office of the society (Section 12), to which all letters are addressed, where all processes are served, and from which all official notices, correspondence, and other documents are remitted. Here should be kept the society's books and documents, the common seal, and, as far as practicable, all cash belonging to the society undeposited into the authorised bank account.

"Safe" Accommodation.

The secretary is in charge of all cash, books, and other records in the office during office hours; but after such hours, unless negligence or carelessness in "locking-up" is proved against him, his responsibility ceases. No secretary or other official should be allowed to take home, or otherwise off the premises, books, moneys, &c., for safe keeping (as has been known to have been done in many instances), unless special circumstances of an extraordinary nature demand it†; and a secretary should, for his own protection, see that his action in such cases has been previously covered by a special minute of the committee. It is the duty of the committee to see that proper "safe" accommodation is

* Section 21.

† The chief exception is in the case of the public auditor, who by the Treasury regulations can demand to have the books sent to his office or residence, though in practice this rule is seldom taken advantage of.

provided for the custody of these records, &c.,* for as the committee are the trustees for the members, they are therefore bound to use reasonable care that cash and documents are safe from theft or fire. It may not appear necessary to have "safe" accommodation for all papers and books, and differences of opinion may exist as to what should be put into the safe, and what may be left on shelves or in drawers or partitions. The secretary will be well advised to obtain definite instructions as to what records should be so treated. In any case, the more important books of accounts, such as ledgers, summaries, and cash books, should be lodged in the safe at the close of office hours, and all cash and deeds of property, insurance policies, and scrip for shares and loans, which have not been deposited elsewhere by specific resolution of the committee. A strong-room, used by some societies, allows of invoices, vouchers, &c., being lodged on shelves, free from danger of fire, and has the further advantage of only allowing the retention in the office of work in progress, saving valuable office room and giving the office a smarter and neater appearance.

Office Site.

Though the offices will have been fixed upon prior to the registration of the society, unless temporary accommodation has been provided—in this case entailing a notice of change of registered address when the new office is ready for purpose of business (see page 49)—it will not be out of place to discuss here a few of the considerations to be kept in mind when choosing an office site. There is a tendency among co-operative societies to select or build their office premises in "back streets," as if co-operation were afraid to present itself to the public gaze. This also applies to their shops, which are not within our province to discuss here.† Though

* A method worthy of adoption is the cash safe with a lock requiring two keys, both of which are retained by the cashier during the day, but one handed to the secretary when the cash is locked up in the evening. Thus fraud, through the stealing of keys, is obviated to a large extent. The same plan might be also adopted in the shops.

† For the management, &c., of shops, see the "Co-operative Managers' Text Book," edited by R. J. Wilson.

the question of rent (or tax assessment) should always be carefully considered, the office should be chosen, if possible, in a central position, within easy access to post-office, bank, tram, or train ; in one of the main streets, so as to be easily accessible to all the members, and by its very position to excite the attention of the general public. It should be on the ground floor, so as not to put the aged members to the inconvenience and difficulty of mounting stairs, or to the timid the fear of mounting in lifts. Where the society builds its own office premises, consideration should be taken for the future expansion of the business, and the consequent increase in the personnel of the staff. Care must, on the other hand, be taken not to increase the cost by over-elaboration, thus hanging round the neck of the society a gross cost of erection which will entail excessive demands upon the profits* in interest and depreciation, and high assessment for income tax and rating purposes.

Health Considerations.

The phrase, *mens sana in corpore sano*, applies seriously to the arrangements for the accommodation of the office staff. The provision of proper healthy conditions under which work is done, apart from its being a duty to the employés, will increase the efficiency as well as the speed of their work ; therefore, ventilation, lighting, and sanitation are matters to be carefully considered. The ventilation should be arranged so as to cause free inlet of fresh air, and the exit of the fetid atmosphere, without draughts. It should be of such a character in the winter as to retain warmth without being close or "stuffy," and in the summer to keep the office cool and comfortable. Electric fans have been found to be advantageous, and it will not be found to be an unfruitful expense to have the ventilation arranged by an expert. In a large open office the opening and closing of doors from the outside has caused much discomfort, and the new revolving door has been found very useful in such cases.

* See Chapter XXVI.

The best of window lighting should be given, so as to come well over the desks where the staff are at work. Where a window is placed in a position where other buildings obscure the light to some extent, a reflector should be fixed outside the window to bring in the light directly from the sky. When artificial light is used, the lamps or jets should be so arranged as to hang over the head of the worker, so as to relieve his eyes from the direct glare of the flame, and slightly to his left hand, so as not to cause his hand or arm to cast shadows over the page. A commendable method of artificial lighting is the electric arc light, with an opaque reflector underneath; this throws the light upon the white ceiling, distributing it evenly all over the room and destroying all shadows. Proper attention should be given to the heating of the office. Coal fires are always the healthiest, but in a large office there is a danger of their heat being confined to one part of the office, the desks preventing its distribution over the whole. Heating by means of hot water pipes is also preferable to hot air apparatus. The floor should be covered with a linoleum of cork or similar substance, which, besides being warm to the feet, can be regularly washed, and does not harbour dust, like carpets. Proper lavatory accommodation, for the separate use of the office staff, should be provided, which should be well supplied with clean towels and kept spotlessly clean. Only those who have had much experience with the arrangements of societies will realise the necessity of the discussion of these vital matters, on which the health of the secretary and his clerks, and the value and comfort of their work, depend so much.

Office Fittings.

Proper desk room should be given to every person employed in the office, with brass stands fixed thereon to hold books required to hand, but not immediately in use. Desks should have a space underneath for a waste paper basket, which space allows the clerk to sit to the desk with

comfort. The desks should be fitted with drawers, provided with proper locks, each clerk being responsible to the secretary for the contents of his own allotted drawers. Every person dealing with cash should have a separate cash till or drawer, for which he is personally responsible to the secretary. The cash till should be fitted with hardwood mouldings for the custody of each class of coin. The secretary's office should be at one end of the general office, on a raised platform, with a glass partition, so that, without interfering with the privacy of his own room, he has the doings of the general office always under his personal oversight. Each general office should have a cash counter, extended in such a manner that persons who visit the office have no access to the desks of the clerks; and two doors, so that a series of callers may not interfere with each other in their ingress and egress, such a provision being especially needful at the time of dividend paying. Certain societies have partitions set upright in the cash counter, to give a certain amount of privacy to each caller in the transaction of his, or her, business. Other societies have windows, which are attached to a pulley, and are raised when a bell is rung by the caller, but this is found to waste much time and create unnecessary noise, interfering with the attention of the staff to their work, as well as trying to their nerves. Suitable shelves for books, files, and pass books should be provided, so that no papers and documents need lie in confusion upon the desks and counters. The desks should be sloping, and of such a height as to afford the staff the opportunity of standing as well as sitting to their work; and low, flat tables should be avoided, as they are not only inconvenient, but take up too much valuable room. Plenty of space between the counters and desks should be provided, so as to make each desk or counter easy of access, and the desks should not be overcrowded, causing the work of one clerk to inconvenience that of another. The secretary's office should be arranged in such a manner as to give a certain amount of privacy, as well as comfort, both to the

occupant and the caller who waits upon him. Roll-top desks are not recommended, as they are generally found to encourage untidiness in dealing with documents, as well as to make the work of the secretary cramped on account of lack of space. A broad, flat desk, with drawers on each side and "drop-wings" will be found advantageous, fixed in a position to allow the secretary, without turning his head, to overlook the work of the general office.

Office Accessories.

A smart secretary will not deem it beneath his notice to supply the staff with the best and most useful of office accessories. He will see that each separate clerk has allotted to him a plain, black ink-well, which should be washed and refilled at methodical intervals; but red ink for ruling may be discarded, as the continual change of ink and pen wastes more value in time than the value of any beauty to the books which two colours of ink may be supposed to give. The pens should not be allowed to be left on the desks, but kept by the staff in their drawers in a suitable glass dish, and a stock of pen-nibs should be supplied. It is also advisable that a plain date indicator be appropriated to each desk, and kept methodically up-to-date. Each clerk should be supplied with a ruler, the "Shannon" type being suggested, as there is no fear of smearing the page by the revolution of the ruler, and for the neat handling of documents paper fasteners or wire clips should also be furnished, the latter by preference, as they do not mutilate the papers. (See page 64.) The scratching out of ink-written figures should be discouraged, if not discarded altogether. Blotting-paper should be supplied ready cut, and in convenient sizes, and a tear-off pad is recommended for rough notes in place of the unused flaps of letters, or the backs of dead envelopes. Where the work of the staff requires the use of gum, the bottle with a sponge stopper attached will be found more cleanly than the ordinary method. The secretary will insist upon stationery,

envelopes, &c., being kept in drawers, and not in desk-cases where they harbour dust. Adjustable drawer partitions, which can be altered at will (see page 64), tend to keep them tidy, as well as to prevent their running into one another during the action of opening and shutting the drawers. No accessories except the date indicator or the ink-well should be allowed to be left on the desks, but kept, when not in use, in the clerks' drawers, a course which not only tends to tidiness but also prevents acrid discussions between the clerks on questions of *meum et tuum*.

Telephones.

Every society will find it convenient and economical to use a telephone, whether on the public service, or a private line to the shops and departments. It is undesirable that the telephonic instruments should be in an open office, allowing all communications to be heard both by the staff and by callers. The continual ringing, also, of the telephone bell is a cause of much distraction, as well as nerve destroying, to those engaged in the office work. It will therefore be found not only to be convenient, but save much time in large societies, to have a telephone partition or room, where all the extension lines are concentrated, in charge of a youth, who will switch* the various calls to the secretary, manager, &c., whomsoever the business specially concerns. To this youth may also be allotted the task of noting trunk-calls, keeping the stamp book, addressing envelopes or circulars, keeping the time book of the clerks, intimating to the secretary the presence of special callers, or the delivery to him of letters or telegrams left by postman or messenger during the office hours. A record† of all trunk-calls received should be kept for the purpose of verifying the items of the trunk-call debit note, and a postage book should be supplied to the youth in charge of the postage department, in which the name and address of every person to whom letters are addressed should be entered, the postage account being proved

* See page 96. † See page 50.

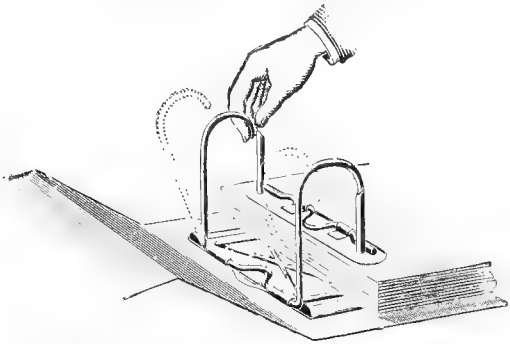
by a responsible clerk at methodical intervals with the stock of stamps on hand. (See page 50.) All telegrams should be issued from a triplicate book, one of the two carbon copies being filed in the usual way, and the other sent by post for confirmation. The third copy will have printed thereon the words, "We beg to confirm the text of our telegram of even date."

Office Departments.

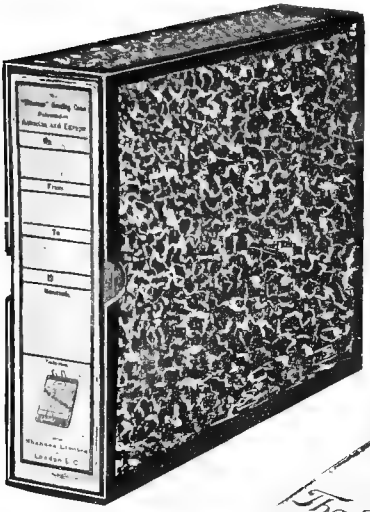
The arrangement of the general office will much depend upon the size of the staff and the magnitude of the society's business, but it may be found convenient to mark off the various departments, not by walls, but by glazed partitions. This will give the advantage of complete oversight by the secretary, and yet keep the various departments clear and distinct; preventing collusion and the mixing of the books and papers of different departments, as well as defining the sphere of influence of each chief clerk. The typists should have a room to themselves, within easy access of the secretary, and where the click of the machines cannot disturb the other clerks. The cash office should be in charge of the cashier (whose safe for the deposit of cash should be separate from the general safes or strong-room), and should be bounded by the cash counter. The ledger office, share office, check office, and goods office should also each have separate partitions, each in charge of a sub-chief, directly responsible to the secretary, who is responsible for the whole office to the committee. No up-to-date office is complete without means of communication between the secretary and each chief clerk. Electric bells are only useful as an indication that the secretary requires the presence of some one, and if the message can be spoken, much time can be saved by obviating the unnecessary passing in and out of his room. Speaking tubes are sometimes used, but are not only cumbrous but most insanitary. The micro-telephone will be found invaluable for the purpose required.*

* See pages 112 and 128.

"SHANNON" BINDING.



SHOWING THE METHOD OF RELEASING DOCUMENTS.



SHOWING THE BINDER CLOSED

Kindly lent by the "Shannon," Limited.

SHOWING THE BINDER OPEN.

PLATE IV

To face page 48.

APPENDIX TO CHAPTER IV.

Form K.

Reg. 11.

INDUSTRIAL AND PROVIDENT SOCIETIES ACT, 1893.

56 & 57 VICT. C. 39.

Notice of change of Registered Office.

Name of Society .....Limited

Register No.....(County).....*.....

Notice is hereby given that the Registered Office of the above-mentioned Society is removed from .....in the parish of ..... and is now situated at † ..... in the parish of .....in the county of.....

Dated this.....day of .....19 .

.....
.....
.....
} Three Members of the Society.

.....Secretary.

To the Registrar.

* If the Society is registered in Scotland or Ireland, add "Scotland" or "Ireland" as the case may be.

† Here give full postal address.

[Fill up blanks, except as to date.]

INDUSTRIAL AND PROVIDENT SOCIETIES ACT, 1893.

56 & 57 VICT. C. 39.

* Received this day of 19

notice of Removal of the Registered Office

of the

Society Limited,

to

Register No.

in the County of

* This part to be detached by the Registrar, when the notice is registered, and returned to the Society.

TRUNK-CALL NOTE BOOK.

Date.	Call Office.	No.	Name.	Nature of Business.	No. of Calls.	Price.

POSTAGE BOOK.

Dr. Cr.

Date.	Sixpenny.	Penny.	Halfpenny.	Date.	Name.	Address.	Sixpenny.	Penny.	Halfpenny.

CHAPTER V.

Correspondence—Indexing and Filing.

Stationery.

The office should be provided with note-headings, upon which the Act (Section 66) requires the *registered name* of the society to be legibly inscribed. The printed matter should be plain, and include, in addition to the name, the society's registered address, the telephone number, telegraphic address, and a statement to the effect that communications should be addressed to the society and not to individuals. A space ruling should also be provided for the purpose of inserting a number in the space for reference purposes, over which should be printed the request that the reply should refer to such number. (See pages 61 and 62.) Note-headings are found much more convenient when in single sheets of quarto size. They should be of a thickness slightly less than medium, and without rulings; they are then more easily used with the typewriter, and a clearer carbon copy is taken. The back of a sheet should not be used. Continuation sheets of a similar size should be provided, identified by a single line of printing. It will be seen that the name and address of the person to whom the letter is addressed appears first on the top of the leading page, and on the left hand side; underneath, in the centre, being typed the title of the subject matter of the letter.

Letters.

The first duty of a secretary each morning is to receive the day's mail, open the envelopes, and examine their contents. A proper letter-box should be supplied, attached to the door of the registered office, the key being in the charge of the secretary. As the lodgment of a letter in the

society's letter-box is the "legal service" of such document, much responsibility attaches to the secretary, as the servant of the committee, to see that all the letters are accounted for and are promptly and properly dealt with. He should provide himself with a stamp bearing the date and his initials, and stamp *every* document coming under his notice in this way. It is also his duty to see that the correspondence is distributed to its proper quarter. With reference to letters (dealing with other documents as they come under discussion in subsequent chapters), he will separate those that require his personal attention from those that require to be dealt with by the manager. The former he will divide into two sets—those that can be answered by him, and those that require the attention and authority of the committee. The first set he will deal with in the manner that the subject matter warrants. Of the second he will acknowledge receipt, stating that the matter is under consideration and will be attended to in due course. (See page 63.) Separate baskets should be kept by the secretary upon his desk, in which the letters and notes of replies can be classified, awaiting typing and filing. A smart secretary will endeavour to fulfil the ambition of what is called a "clean desk," which is, of course, obtained by prompt attention to correspondence, and not by the pushing of papers and documents loosely into drawers and pigeon-holes.

Filing Correspondence.

Perhaps the best system of filing letters is by means of a register of "matters." The papers relating to each "matter," whether letters or the copies of the replies, are attached to the inside of a manilla folder, of a size slightly larger than quarto, endorsed with a progressive number. These folders are placed in a vertical file drawer,* of which there are several on the market, and which can be built up upon the "expansive" system† into cabinets of any size. Guide cards are placed upright in the file at intervals of ten to facilitate

* See page 160. † See page 176.

reference. The key to the registered numbers is found in a card index,* which is a drawer of a small convenient size, and which can be obtained from the same source. In this drawer are cards on which are entered the name of each new correspondent, or the title of the subject matter, the date of the first letter, and the number of the folder in the vertical file. The cards are arranged alphabetically, and guide cards inserted at intervals to assist the reference. When, therefore, it is necessary to refer to the details of any matter dealt with in several letters, or reopened by a new series of letters, the folder containing the correspondence can be taken bodily out of the file with a minimum of trouble.

Typists.

The secretary should have a good correspondence clerk, who in a large office should be responsible for the typists' department. The correspondence clerk should have a good knowledge of shorthand and be an expert typist. It is now acknowledged by all up-to-date business houses that it is a waste of time writing letters, or dictating to clerks who cannot "take down" at a fair rate of speed, or who cannot type letters in a business-like manner. The correspondence clerk should have a good knowledge of English, and be able not only to punctuate and "display" a letter, but be able in ordinary business communications to put into concise and understandable language the secretary's brief instructions as to the reply. It should not be necessary in such cases for the secretary to do more than indicate the manner of reply, but only in special cases to have to dictate the answer word for word. Typists should take down from dictation shorthand notes in a long note book, entering the date, name, and address in longhand, at the head of each letter. These books should be carefully preserved, as in the event of a legal dispute as to the authenticity of the copy-letter, the shorthand note will establish its contents. The notes should be typed in the order given, and scored through as com-

* See page 144.

pleted. A good secretary will make the consideration of the morning's mail his first duty each day, so as to allow the full day for the preparation by the typists of the necessary replies. A good office is known by the style and promptness of its correspondence, and these points should be reduced to a business-like regularity. The correspondence clerk or head typist should be made responsible for the filing of the correspondence, which duty will fill up his time during intervals in the actual work of typing the letters.

Mechanical Dictation.

The dictation to shorthand clerk or typist necessitates the passing to and from the secretary's office, and several ingenious methods have been suggested to obviate this. The "dictaphone" adapts the phonograph to this use, and discards the use of shorthand. The secretary speaks into a receiver in communication with the wax cylinder, which becomes the record from which the typist prepares the letters. As every secretary is not an expert in dictation, it is feared that the disadvantage of the system would be to emphasise the uncertainties of a jerky speaker, as well as to prove awkward when an alteration in a phrase suggests itself to the speaker after its original delivery. The improvements which experience has suggested in this respect may however remedy these natural defects in an instrument which is of recent introduction. The National Telephone Company suggest an application of telephone instruments for this purpose, and in a large office, where a separate office is kept for the female clerks, the plan will be found valuable.* The operator may have a special headgear or receiver round her head and fitting to her ears, and a breastplate transmitter attached to the breast conveniently for speaking into, thus relieving both her hands to take notes or manipulate the typewriter as may be necessary. A special switch may be arranged so that the chief operator, when a signal appears upon the indicator, may plug through to one of the typists to whom she knows she can allocate the work.

† See page 240.

It is claimed for this system that the dictator does not hear the noise of the typewriting machine, as the typist can be at any distance from him. The resources of the typewriting department can be equally and economically distributed over the various offices, as any typist who is disengaged will be at the disposal of any given department who require to dictate letters in the course of their work. The typist is also enabled to go on with her work without disturbing the dictator during any pause or interruption in the dictation of a letter, and during long pauses, which sometimes occur in the composition of an important letter; thus the saving of time is very considerable. The isolation of the typist in a separate room is also an advantageous feature of the system, and removes the objection felt by some firms to the presence of female clerks in the office.

Typewriters.

As to machines, there are many on the market, each claiming its peculiar advantages, and it is not our wish to discuss their various merits here, but some remarks upon the different types of machines might prove of service. They may be divided into those whose writing is visible or invisible during manipulation, those with single or double keyboards, and those which use ribbons for the ink, or which use pads or rollers. As regards the keyboard, or the arrangement of the keys in relation to the letters of the alphabet, nearly all the machines adopt what is called the "universal" arrangement. (See pages 208 and 224.) Some machines use a key for each character, but the majority use one key for two characters, reducing the keys by one-half by placing two types on the typebar, the capital of each letter being made by the same key by bringing into requisition a shift-key; but it is a matter of contention which is to be recommended. Ink-ribbons have been preferred by most makers to either pad or roller, and a machine should be selected which keeps the letter in the direct sight of the operator during its manipulation, much time being saved otherwise lost by him in stopping to examine

his work. A strong, reliable machine should be adopted, which should be set on indiarubber pads, in order to deaden the inevitable click, which is a great trial to the typist's nerves. Indiarubber tips for the keys, with the letters inscribed thereon, can also be obtained, which reduce the strain upon the fingers of the operator in manipulating the typewriter. A good typist will understand the construction of his machine, and will oil and clean it regularly, giving a clean appearance to the letter submitted for signature. All letters should be copied,* and much time is saved by the use of sheets carbonised on one side, and placed in the machine between the note-heading and the tissue on which the copy is desired, the letter and the copy being obtained in one operation. The copy tissue should be of a strong character, and should always be produced with the original when submitted to the secretary for signature. A methodical secretary will insist upon all replies being brought to him at a regular time, say after lunch, so that he can deal with them *in toto* and not be distracted in his other work. It is a good plan for him to make the signature in copy-ink pencil, and sign both letter and copy at the same time by the insertion of carbon. He thus makes sure that a copy which is filed is the one which he has personally read at the same time as the original, thus ensuring that it is an exact copy in every respect. It is, perhaps, unnecessary to add that a rubber stamp signature should *not* be used.

Duplicating or Mimeography.

Often it is convenient and requisite to issue a circular letter or notice to a series of correspondents or members, and it is one of the advantages of the typewriter that with its use the multiplication of the same original letter may be made with greater facility, giving an appearance difficult to distinguish from an original letter, especially when the name and address of the person for whom it is intended is

* The legal difficulty attached to carbon-copied letters has caused many firms to retain the use of press copiers. (See page 256.)

separately typed in the same colour of ink. By the Duplicator or Mimeograph a waxed paper is used for the original, which is struck by the types of the machine in the usual way, the effect being that the wax surface is cut so that ink supplied by a roller may pass through it. The waxed stencil is then stretched upon a frame, which is attached by a hinge to the slab upon which the paper for the copy is placed; then the frame is held down with one hand while the ink-roller is passed over the waxed paper with the other. The action is repeated until the required number of copies are obtained. (See page 272.) Where a great deal of copying has to be done, a machine called the "Roneo" is a great labour-saving device. Here the wax stencil is stretched upon a cylinder of thin perforated steel, covered by a linen ink-pad. The ink roller revolves automatically inside the cylinder, distributing the ink evenly on the pad and behind the stencil. The cylinder is worked by a handle, or may be attached to a motor. A rubber roller is arranged underneath the cylinder, which grips the paper inserted between them, presses it against the stencil as the cylinder revolves, and the desired copy is discharged on the other side. An indicator shows the number of copies that have been made. This machine has been found very useful at the Union offices, where much duplication is required, and may be seen by any secretary interested in this device. (See page 288.) A machine for a similar purpose is the "Writerpress," in which the stencil is discarded and type substituted, set up from a type drawer with partitions arranged in the same order as the types in the typewriter. The machine is worked by hand, the paper by a quick action being pressed by a roller against the type through an ink-cloth, prepared after the manner of a type-ribbon. An illustration of this machine is given on page 304. Where circularising is done to any extent, much time is spent in the moistening and sealing of envelopes by hand, and in these cases the "Simplex Sealer" (see page 336) will be found of advantage. The envelopes, after the insertion of their enclosures, are fed into one side of

the machine, and by the revolution of a handle many thousand letters can be sealed ready for posting in a very short time. The Addressograph might also be found useful where much circularising is done among a series of correspondents or customers. (See page 320.)

Enclosures.

Every document which comes to the office should be at once acknowledged by letter, a copy of such letter being kept and filed to prove the date of its receipt; also, every document enclosed with a letter should be referred to in such letter.* Inversely, every document or paper remitted should be sent with a covering note. Thus the correspondence file contains the history of all documents of every kind which are received or remitted. Cheques should also be treated in the same manner, and special forms may be printed with blanks to save unnecessary typing. (See page 64.)

The Office Reminder.

The secretary will find it necessary to have a method of taking notes of appointments made and other matters which, if he depended entirely upon his memory, he might otherwise overlook. A card index, called an "office reminder" (see page 64), with guide cards arranged in datal order, will enable him to keep a note of these. Each appointment made will be entered on a slip or card, and inserted immediately before the guide card, endorsed with the allotted day, and the transference of the day's guide card to the back of the box will expose the notes requiring attention on the succeeding day.

The Secretary's File.

Though the bulk of the matters coming daily before the secretary's notice should be dealt with promptly, and

* A small gummed red paper disc is sometimes attached to the face of a letter to indicate the enclosures.

completed through the ordinary machinery of the office, certain classes of papers and records will be found to be of such a nature as to be required to be kept for some time in a compact form in the drawers of his desk for periodical reference. Such papers are balance sheets. statistics, agenda* of committee meetings, &c., and the "individual file" has been found useful in such cases. (See page 352.) In this file the contents are kept intact between a stiff manilla folder, bound in a handy book form; and the papers can be extracted from time to time, or examined without the same being made loose, different colours of covers being used to identify various classes of documents.

The Manager's Correspondence.

Though the secretary is responsible for all the correspondence of the society, it is found advisable in practice for the manager to deal directly with correspondence relating to goods, carriage, &c. Here he will take advantage of the typists' office, and have such letters brought to him for signature, his letters and their replies being embodied in the general filing apparatus of the society, as well as being addressed and posted in the ordinary routine. As, however, he should be relieved as much as possible from general correspondence, his letters being chiefly confined to questions of prices, deliveries, quotations, &c., he may find it more convenient to write this class of letters in a manifold book, or on a tear-off letter pad, machine numbered in duplicate, and to have the copies filed in a vertical file in the correspondence office, but instead of their being in progressive number, guide cards would denote the particular class of commodity, such as sugar, butter, flour, &c., arranged alphabetically. The correspondence with each firm would be consigned to a separate folder, guide cards arranging them alphabetically under the commodity heads. Thus each firm's quotations, &c., for one commodity for a long period can be examined in one batch

* See Chapter XXXI.

of documents and returned to the file intact when done with, dead matter of considerable age being extracted from time to time.

Postage.

A record should be kept of all letters which are remitted by post. The postage book (see page 50) will serve the double purpose of methodising this record, as well as being a check upon cash set aside for postage purposes.* The secretary should have an intimate knowledge of the rules and regulations governing the postal service of the Government, which may not only prevent inconvenience, but prevent the miscarriage of important documents.†

* See page 442. † See page 66.

APPENDIX TO CHAPTER V.

THE PLAYFAIR CO-OPERATIVE SOCIETY LIMITED.

REGISTERED OFFICE:
1, MARKET STREET,
PLAYFAIR,
SHOPSHIRE.

IN YOUR REPLY REFER TO	REFERENCE TO YOUR LETTER
1242	387

PLEASE ADDRESS COMMUNICATIONS TO THE SOCIETY AND NOT TO INDIVIDUALS.

TELEGRAPHIC ADDRESS: "FAIRPLAY."
TELEPHONE No. 101.

TYPED BY J.B. ENCLOSURES 2.

1 May, 1908.

Messrs. Deed and Scrip,
Solicitors,
Seal Street,
Playfair.

Re Land in Freehold Street.

Dear Sirs,

With reference to your letter of the 27th ultimo, which duly came up for consideration at the meeting of the Committee last evening. In reply thereto, I am instructed

THE PLAYFAIR CO-OPERATIVE SOCIETY LIMITED.

DATE 1. 5. 08. NO. 2.

To Messrs. Deed and Scrip.

to say that the Committee regret they cannot see their way to accept the terms of your clients. We return the plans herewith, which please acknowledge on receipt and oblige.

Yours faithfully,
Pro the Society,
W. L. Fylde,
Secretary.

NOTE.—The reference number at the head of the letter will be the number of the folder in the vertical file allotted to this matter. (See pages 52 and 160.)

THE PLAYFAIR CO-OPERATIVE SOCIETY LIMITED.

REGISTERED OFFICE:

1, MARKET STREET,

PLAYFAIR.

To

DEAR SIR,

We beg to acknowledge receipt of your letter / postcard of the inst., bearing your reference number ,

re

which will receive due attention.

Yours faithfully,

Pro the Society,

W. L. FYLDE,

Secretary.

THE PLAYFAIR CO-OPERATIVE SOCIETY LIMITED.

REGISTERED OFFICE:

1, MARKET STREET,

PLAYFAIR.

To

Herewith we hand you cheque in payment of your account to the inst., as stated below. Your acknowledgment in due course will oblige.

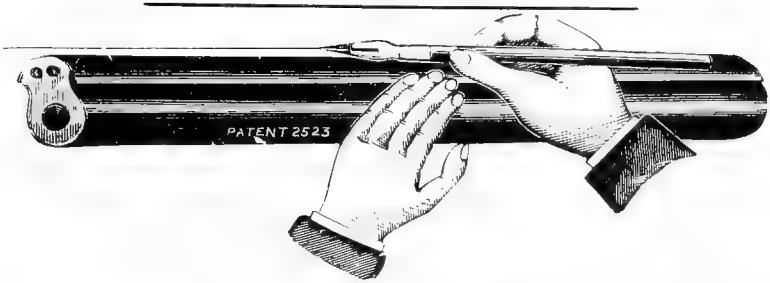
Yours faithfully,

Pro the Society,

W. L. FYLDE,

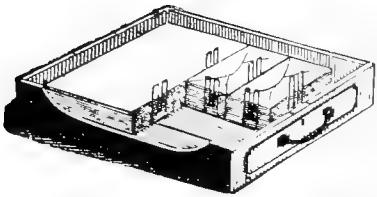
Secretary.

	£	*s.*	*d.*
Cheque ..			
Discount ..			
Credits ..			
Settlement ..			



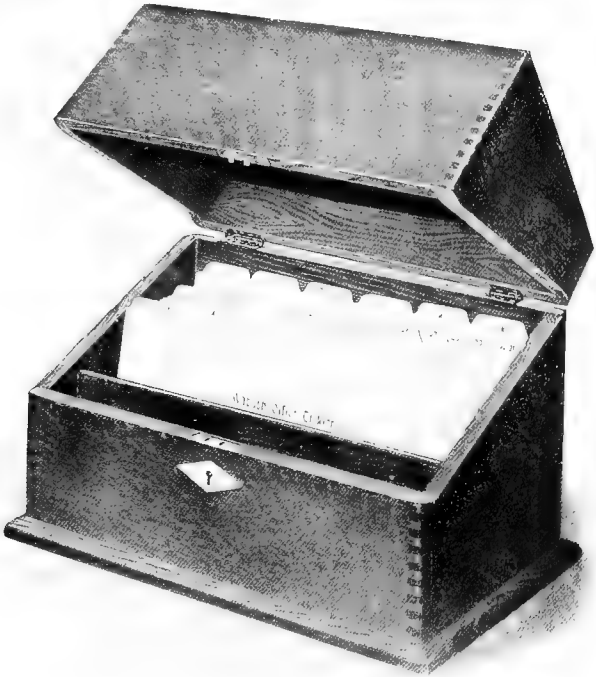
THE "SHANNON" RULER

Kindly sent by The "Shannon" Limited.



ADJUSTABLE DRAWER PARTITIONS.

THE "POCO" PAPER CLIP.



THE OFFICE REMINDER.

Kindly sent by the Rockwell-Wabash Co. Ltd.

PLATE V.

To face page 64.

POST OFFICE REGULATIONS - INTERESTING DATA.

Letters.

Postage stamps must be affixed at the following values:—A penny for a letter not above 4oz., and a halfpenny for every additional 2oz. If a letter is not prepaid, or insufficiently prepaid, double the value of the deficiency must be paid on delivery, by the addressee if he accepts delivery, or, if not, by the sender.

Halfpenny Packets.

Postage stamps must be affixed at the value of a halfpenny for every 2oz. A halfpenny packet will be treated as a letter unless it is either without a cover, or in an unfastened envelope, or in a cover which can easily be removed. It must not contain any communication in the nature of a letter (unless specially allowed), nor paper money. The following may be sent as halfpenny packets if under 2oz. in weight:—

(*a*) Invoices, orders, advices, waybills, bills of lading, receipts, statements of account, reports, &c., *whether containing matter in the nature of a letter or not*, providing that nothing shall appear *in writing* save dates, names and addresses, prices and particulars of goods, &c., formulæ of courtesy not exceeding five words or initials in general use, such as "E. & O. E." (errors and omissions excepted), "second application," "with compliments," &c., but not requests or instructions, such as "send," "forward," "cheque will oblige."

(*b*) Printed circulars, *i.e.*, notices and letters, provided that nothing shall appear in writing except corrections of errors, date of despatch, name and address of addressee, or time and place of meeting.

(*c*) Duplicated circulars, or circulars duplicated or lithographed in imitation of typewriting or handwriting, provided that they are handed in at the counter of some head or district post office, and that at least twenty identical copies are posted at the same time.

Postcards.

Private cards bearing adhesive halfpenny stamps may also be available as postcards, provided that they do not exceed in size 5½ by 3½ inches, or be less than 4 by 2¾ inches. Nothing must be attached or gummed to a postal card except postage stamps or a gummed label bearing the address, otherwise it will be franked as a letter.

Parcels.

Parcels sent by post must not exceed 11lbs. in weight. They must be taken into a post office and handed over the counter. If posted in a letter box, a fine of 1d. is charged on delivery. The maximum dimensions are—in length, 3ft. 6in.; length and girth combined, 6ft. Postage on parcels must be prepaid by the sender, as follows, by the affixing of postage stamps:—Not exceeding 1lb, 3d.; 2lbs., 4d.; 3lbs., 5d.; 5lbs., 6d.; 7lbs., 7d.; 8lbs., 8d.; 9lbs, 9d.; 10lbs., 10d.; 11lbs., 11d.

Redirection.

Letters, postcards, halfpenny packets, and newspapers are not charged when redirected, provided they are not opened, and reposted not later than the next day (Sundays and public holidays excluded). Parcels, however, are subject when redirected to an additional postage at the prepaid rate for each redirection, unless the original and second addresses are within the delivery from the same post office, when the regulations regarding letters will apply.

Registration.

Letters and parcels may be registered, the ordinary registration fee for all classes of postal packets, including parcels, being 2d. This fee secures compensation in the event of loss or damage up to £5. Compensation for a larger amount (up to £400) may be secured on payment of the proper fees. The limit of compensation is £20 if the registration fee paid is 3d., and the limit is extended by £20 up to £400 for every extra 1d. paid.

Postal Orders.

The poundage of ½d. is charged upon postal orders representing the value of 6d., 1s., 1s. 6d., 2s., and 2s. 6d.; 1d. upon 3s., 3s. 6d., 4s., 4s. 6d., and so on up to 15s.; and 1½d. upon 15s. 6d., &c., up to 19s., 20s., and 21s. Broken amounts, but not fractions of a penny, may be made up by the use of postage stamps not exceeding three in number or 5d. in value, properly affixed to any one postal order (*i.e.*, in the spaces provided). Perforated stamps are not accepted.

Money Orders.

The charge for a money order for England, Scotland, or Ireland is:—

	Ordinary.	Telegraph.
£1	2d.	4d.
For sums not exceeding £3	3d.	5d.
,, ,, £10	4d.	6d.
,, ,, £20	6d.	8d.
,, ,, £30	8d.	10d.
,, ,, £40	10d.	1s.

No single money order is issued for more than £40. In the case of telegraph money orders, an additional charge at the ordinary inland rate is made for the telegram of advice, at the office of payment, the minimum being 6d.

Telegrams.

The charge is 6d. for 12 words or less, and a halfpenny for each additional word, every word in the address being charged. Double names of towns and villages, such as "Tunbridge Wells," count as one word, but this does not apply to double names of streets, such as "Park Lane," "Charing Cross," which count as two words. Initial letters (except where they represent London postal districts, such as "S.W."), are charged as one word each. Five figures or less count as one word, "26789" being reckoned as one word; also "2/6/8" or "12.24" are each counted as one word.

Subscribers to a telephone exchange may telephone messages to a general post office for transmission by telegraph at the ordinary rate for telegrams. They may also telephone to any postal telegraph

office, either by trunk wire or ordinary exchange wire, in order that the messages may be written down and forwarded as express letters, at an express letter fee varying with the distance to be covered. When the message is given by trunk call, only a message of thirty words may be given, or if a double call, sixty words, but in either case a double express fee is charged. The person receiving the express letter may send another express letter back to the post office to be telephoned to the sender of the original message, on payment of the full ordinary express and telephone fees.

The telegraph messengers are also at the disposal of a subscriber for messenger service other than for telegrams, if telephoned for to the nearest post office connected with his exchange.

Any person may have a registered abbreviated address for telegraph purposes at the cost of a guinea per year, and the holder of the same may make arrangements, if a subscriber to the National Telephone Company, for all telegrams to be delivered by 'phone, in lieu of delivery by messenger. All the above facilities are subject to a deposit being made in advance to cover costs incurred.

CHAPTER VI.

The Share Office—Share Capital and Membership.

Capital Required for Trading.

Every society which carries on a business requires capital, which is invested in what are called assets, namely :—Goods—the commodity dealt in; fixed stock—the place, accommodation, and conveniences for conducting the business; and a certain amount of available capital with which to pay accounts promptly (thus obtaining the best terms), and for laying out in book-debts, if the society gives credit. In a joint-stock company the profit upon the trading is returned to the proprietors in the form of interest or wages for the service of the money invested, or a portion held back to form a reserve fund,* which increases the working capital, and, correspondingly, the assets. The same applies to a society, except that the interest on share capital is limited by rule to not exceed 5 per cent (Rule 127), and the balance which is distributed is based upon the ratio of the members' contributions to the source of profit making, such as the trade, rentals, or other sources of income for the earning of which the society was incorporated. Where the capital supplied is insufficient, the additional amount is raised (Rules 30 and 31) upon the security of bonds, agreements, or mortgages, under certain conditions,† the interest payable upon this borrowed money being a charge upon the assets, whether profit is made or not, and in priority to the interest payable to the members from the profits when made. Mortgages‡ are a charge secured upon the particular land or buildings mortgaged, which, in the event of liquidation,

* See "Co-operative Book-keeping," page 180. † See Chapter IX.
‡ See page 469.

must be first applied to the payment of the mortgage. Loans* rank with trade creditors as a further charge upon all the assets, and the balance remaining is payable to the shareholders in relation to their several holdings. Where the assets are insufficient to pay 20s. in the £ to the creditors, the shareholders cannot be called upon to contribute except as to the amount unpaid upon the share capital allotted to, or taken up by them. This amount unpaid will also be called up in order to arrange the relations *inter se* of the shareholders when there is a balance of assets distributable among them. They therefore stand to lose only their share capital, and there is no call upon their private assets as in a partnership. This is the effect of what is termed "limited liability."†

Shares.

In a co-operative society, as in a joint-stock company, capital supplied by the shareholders is divided into nominal amounts, called shares, which in a company are only transferable; that is to say, the holder can only be relieved from his liability upon the same by a transfer agreement,‡ duly executed and stamped, transferring his share or shares to another person for valuable consideration.§ Transferable shares are identified by a registered progressive number, a careful record being kept of the holder of each share. The same procedure is also followed in the case of transferable shares issued by a co-operative society, but under the Industrial and Provident Societies Act societies can take power in their registered rules to issue withdrawable share capital, this class of shares requiring no identification number. A member can thus relieve himself from liability upon withdrawable shares, and realise 20s. per £ of the amount he has paid upon them, by the simple act of withdrawal, so long as the right of withdrawal exists, and due notice as per rule has been given by him (Rule 55). His liability does not

* Also Deposits, see Chapter IX. † See also page 3.
‡ See page 95. § See page 151.

cease at once, as in the event of liquidation, if he has withdrawn or transferred any shares within twelve months prior to the commencement of the liquidation, it exists in respect of them to the extent of the amount unpaid on the shares at the time of transfer or withdrawal, as to all debts due when the shares were transferred or withdrawn, if his contributions are required to pay these debts. (Section 60.)

Paid up by Instalments.

Shares, whether transferable or withdrawable, are usually of the nominal value of one pound sterling, which need not be paid up in full on allotment (Rule 22). The payment of the entrance fee of 1s. (for which a member receives gratis a copy of the rules, conforming at the same time with Rule 9 and section 15 of the Act), provided that his application for membership is accepted, is sufficient to secure to him the full rights of membership, though Rule 22 stipulates that the shares applied for must be paid up in instalments, payable at such place, on such days, between such hours, and to such persons as the committee from time to time direct (Rule 23). It is feared, however, that this rule is honoured rather in the breach than in the observance ; and in spite of the fact that the committee are empowered (Rule 22) to impose a fine of 1s. per quarter in cases of non-payment of instalments, and (with the consent of the members in general meeting assembled) to declare such shares to be forfeited if the instalments are three calendar months in arrear, yet in practice members are released from these conditions, and thousands of so-called members have little or no monetary interest in the society of which they are registered shareholders, and of which they receive the full privileges of membership. It should be the duty of the secretary therefore to see that these instalments are regularly paid, or the interest and dividend payable to the member at the end of the quarter earmarked to this amount, a power given to the society by Rule 26. It should be noted that a member may pay the whole or any part of an instalment in anticipation of the

date when it will become due; and if he holds more than one share, may specify to which shares the payment shall be applied, otherwise it shall be deemed to be distributed equally (Rule 24).

Right of Forfeiture.

It is the secretary's duty to have prepared at the end of each quarter a list of the members in arrear with their instalments, identifying those whose instalments are three months in arrear, and omitting those cases where there is sufficient dividend and interest payable by which the payment of such instalments can be enforced. By Rule 28 this list should be laid by him before each ordinary business meeting, and the meeting may declare that these shares be forfeited, if three months in arrear, or direct the committee, in all or each of the cases, whether three months in arrear or not, to take legal proceedings for the recovery of such instalments; for it should be remembered that, in addition to the right of forfeiture which a society has upon unpaid shares, it has also the right of recovery of such sums against such member, his executors, or administrators, by ordinary legal process;* though the latter method is seldom followed. The secretary will send to the registered address of each member, within one week after the declaration of forfeiture, a notice of forfeiture, but the forfeiture may be remitted if the sum due is paid within one calendar month from the date of the notice (Rule 29). Where shares are forfeited they become the property of the society (Rule 29), and being capital-income and not revenue-income, should be added to the Reserve Fund.† Though the right of forfeiture is in the hands of the members' meeting, who may consider each case on its merits and decline to declare the forfeiture of shares belonging to members who are known to be in want or distress, the right of remitting the 1s. fine is in the discretion of the committee (Rule 25), who may remit the fine if the non-payment appears to them

* See page 448. † The same applies to fines. See page 318 "Co-operative Book-keeping"; also page 576.

to have arisen from sickness, distress, want of work, or any other sufficient reason, of which a written statement, signed by the defaulting member or some person claiming to act on his behalf, has been given to the secretary at the time when the payment ought to have been made. Therefore it is the secretary's duty to deduct the fine from the share account, where necessary, unless the above written statement is made, but not to enter a forfeiture unless by special instructions. It also often happens that dividend is left by a member in the society, which, after he is lost sight of, accumulates at interest to the credit of withdrawable shares, and thus amounts remain in the share ledger which cannot be touched and will never be claimed, and it is advisable to have a special rule* in such cases, stipulating that where a member has removed without intimating his change of address, and failed to communicate with the society in respect to such shares for a space of six years, his shares should be forfeited.

Who can be a Member.

Any person may be a member by conforming to the registered rules, which, by section 10 of the Act, must set forth the terms of admission of the members, including any society or company investing funds in the society under the provisions of the Act. (Schedule II.) An individual cannot hold more than £200 in shares (section 4), or such less sum as the society in general meeting may direct (Rule 27). A minor may be a member if not under 16, and enjoy all a member's rights and privileges, namely, holding shares, receiving dividends, voting at meetings, and executing all instruments and giving all acquittances necessary to be executed or given under the rules (section 32). He may not however be a member of the committee, trustee, manager or treasurer, but may be appointed secretary. He has also power of nomination (section 25). A married woman may

* The Special Rules are those which are registered with and prefixed to the Model Rules of the Co-operative Union, amending them in certain particulars to meet the special needs and requirements of the particular society.

be a member in her own right, independently and separate from her husband, and may hold and deal with any share or other interest in the society credited to her as if she were unmarried, as is provided in the Married Women's Property Acts. Her husband cannot withdraw from her account without her written authority, or receive her dividend and give a valid receipt for the same. Purchases on credit, made by a member, who is a married woman, may by common law be charged against her husband, and presumably against his shares on which the society holds a lien (section 23), unless and until he has publicly repudiated all responsibility for his wife's debts, but the society cannot exercise the power of lien upon the wife's share account even when the purchases have been made by her husband apparently on her account.* Though an individual may not hold more than £200 under the Act, no limit is placed upon the holding of registered societies, which may hold shares to any amount. (Section 4 and Rule 27.) A company or other corporate body may not hold more than £200. (Section 42.) The members' meeting may however stipulate a more limited holding. Two or more individuals may hold shares jointly, either of whom may give a valid receipt for any interest and dividend payable thereon; and all notices relating to any such shares, given to such one as they jointly direct, and in default of any direction to the one whose name stands first in the books of the society, shall be deemed sufficiently given. (Rule 38.)

Power of Nomination.

By the Industrial and Provident Societies Act a member is given the right to nominate during his lifetime any person or persons (other than an officer or servant of the society†)

* On the other hand, under a recent judgment the husband has the power to claim his wife's savings when they have been made out of household expenses, and not from her separate income, but it is doubtful whether the society would not be well-advised to resist such a claim, unless there is no clear proof that the wife and not the husband was the member.

† Unless such officer or servant is the husband, wife, father, mother, child, brother, sister, nephew, or niece of the nominator.

to whom his property in the society shall be transferred at his decease, provided that the amount credited to him in the books of the society does not, at the time of his decease, exceed a hundred pounds sterling. (Section 25). No will or codicil thereto, or letters of administration under which his legal personal representative acts, can interfere with the member's interest thus earmarked, and the society will simply pay or transfer to the nominees,* according to the proportions stated on the nomination form, the amount standing to his credit, without recognising any other party in the matter, after proof has been furnished to the committee of the death of the nominator.† If the total property of the nominator in the society at the time of his death exceeds £80, the committee must not make the payment until production has been made of a receipt from the Commissioners of Inland Revenue for the succession duty payable thereon, or otherwise a certificate stating that no such duty is payable.‡ Where a member's whole personal or movable estate exceeds £100, his property in the society is liable to probate duty; and the committee may, before paying over the money to the nominee,§ require a statutory declaration by the claimant that the total personal or movable estate of the deceased does not, after payment of debts and funeral expenses, exceed the value of £100. (Section 28.) If the nominator's interest (including shares, loans, and deposits) is more than £100 at the date of his death, the nomination is void. It may only be revoked by the nominator in a manner similar to that in which it has been made.|| By clause 3 of section 25, the society must keep a book in which the nominations and revocations must be regularly entered (see page 81), and a certificate of the nomination should be given to the nominator.¶ Much trouble is saved to the society when members take advantage of the power of

* See page 80. † In the case of a husband or wife the certificate of marriage should be produced. ‡ See pages 82 and 83. § This also applies in the case of the next of kin where no nomination has been made. || Marriage does not revoke a nomination. ¶ See page 80. The word "nominated" should also be stamped upon the pass book.

nomination, and a paragraph intimating to the members that they possess such a power should be set forth on every balance sheet issued and every application form supplied. When a beneficiary under a nomination is an infant, care must be taken in dealing with his share of the interest of the deceased in the society. If an infant is under sixteen years of age he cannot hold shares or give a valid receipt. If over sixteen, but under twenty-one, he can only give a valid receipt as a shareholder.* On the death of the nominator it is therefore advisable to retain in the deceased's share account the amount due to such a beneficiary until he is sixteen, at which time it must be transferred to his share account, from which account only can it be withdrawn by him before he is twenty-one, in order that the society may obtain a valid receipt. If such amounts are, however, in necessitous cases paid to the parents or guardian, care should be taken that the society is indemnified by them from any subsequent claims made by the infant when he has obtained his majority. It might be well, therefore, to represent this difficulty fully to the nominator when the nomination takes place. The death of a nominee during the life of the nominator revokes such nomination so far as the deceased nominee is concerned; that is to say, his legal personal representative cannot claim his share.

Probate and Letters of Administration.

It will have been noted that under certain conditions a society can distribute the interest of a member in the society without the interference of any will or letters of administration,† and that a nomination in every case takes the precedence of either; yet it may be desirable to dwell briefly upon the manner in which an estate is administered upon the decease of the owner. A will is a written instrument by which a person signifies his wishes as to the devolution of his property after his death. It must be in writing, but no particular form is necessary. To be valid, it must have the

* See page 72. † See page 74.

signature or acknowledgment of signature of the testator, made in the presence of two witnesses, who must affix their signatures in the presence of each other and the testator, and by such act they exclude themselves from any interest under the terms of the will. Infants and idiots cannot make a valid will, and lunatics only during a lucid interval. Under the Married Women's Property Acts, married women may make a valid will with reference to their separate estate. A will can be revoked during lifetime, and is automatically revoked by the marriage of the testator. Legacies under a will lapse only if the legatee has died during the lifetime of the testator. If an executor is named in the will, and he does not renounce his executorship in the proper legal manner, he is the person only who can give a valid receipt for the payment of the interest of the deceased in the society. If there is no executor named in the will, or no executor surviving or who has not renounced, an administrator *cum testamento annexo* is appointed on application to the court, who stands in the place of the executor. If there is no will, letters of administration are granted by the court to the next-of-kin, who can give a valid receipt for moneys due to the estate of the deceased, and who must distribute the assets in the manner prescribed by law.* A will cannot be acted upon until it is proved and probate granted. The "probate" is a copy of the will on parchment, bearing the seal of the court. Particulars of the probate of wills and letters of administration exhibited to the society, and the date of their production, should be noted at the head of the share ledger account relating to the deceased,† or a note inserted in the vertical file.‡

Members Dying Intestate.

If a member dies intestate, and without nomination, and his property in the society at the time of his death does not exceed in the whole £100, the committee have power to distribute the property of the deceased in the society among

* See pages 84 to 86. † See page 93. ‡ See pages 92 and 160.

such persons* as appear to them, on such evidence as they may deem satisfactory, to be entitled by law to receive the same, without requiring letters of administration to be taken out by any of the relatives of the deceased, subject in all cases where the property exceeds £80 to the obtaining from the Commissioners of Inland Revenue a receipt or certificate as specified in the case of a nomination. If, however, the member dying intestate is illegitimate, and leaves no widow, widower, or issue, the committee can only deal with the property by direction of the Treasury. (Section 27.) Before any payment is made to the representatives of a member who dies without having made a nomination, the committee should demand the fullest information as to the relatives and their degree of relationship to the deceased; and they must carefully note the proportions in which such relatives are respectively entitled by law to receive the same (see pages 84 to 86), and if payment has been made in this manner to persons apparently entitled, it is valid and effectual against any other person who might make a claim. (Section 30.) Where the interest (*i.e.*, shares, loans, and deposits) of the intestate is greater than £100, the money must only be paid to the next of kin on production by him of letters of administration, and a note of their date and particulars made in the account of the deceased in the share ledger.

Insane Members.

Where a member is insane, and no committee or trustee of his property under the Lunacy Acts has been appointed, the committee may, when it is proved to their satisfaction that it is just and expedient to do so, pay the property of such member, not exceeding £100, to any person whom they shall judge proper to receive the same on his behalf (see page 88), and any such payments shall be valid and effectual against any demand made upon the committee or society by any other person. (Sections 29 and 30.)

* See page 87.

The Share Office.

Having dealt generally with the shares of a society and the conditions of membership, we will proceed to discuss the procedure to be followed in the office with respect to the record of the share capital. Where the society is of any magnitude, it is advisable for the share office to be a self-contained department, with a chief clerk (directly responsible to the secretary) upon whom devolves the duty of keeping the records of all capital. Yet this department should have no dealings with cash in the shape of contributions or withdrawals, such being within the duties of the cash office. This is, without doubt, an excellent check upon fraud committed with pass-books, and its value will reveal itself as we discuss in detail the departmental organisation.

Shares either Transferable or Withdrawable.

Societies can issue either transferable or withdrawable shares, and Schedule II. of the Act stipulates that the rules shall determine whether the shares or any of them shall be transferable; also whether the shares or any of them shall be withdrawable. The Model Rules of the Co-operative Union require each individual to hold at least one transferable share, and any society or company to hold at least one transferable share for each hundred members thereof. (Rule 8.) Where societies issue withdrawable shares as well, this rule in practice becomes almost impossible, not only on account of the difficulty in keeping a correct record of these transferable shares, but by the fact that to prevent the embarrassing confusion between transferable and withdrawable shares held by the same person, there should be a separate ledger for each class, and consequently two ledger accounts for the same person. *The transferable and withdrawable share capital should also be stated separately on the balance sheet.* On the other hand, as a member ought to have some definite holding in the society, at least one share, to exercise the rights and privileges of membership, a special rule should provide in cases where withdrawable

capital is required, as in distributive societies, *that all capital shall be withdrawable*, but that each member shall be required to hold one fully-paid share, and shall not withdraw any portion of such share (*i.e.*, below £1), except upon withdrawing entirely from membership. A substantial fine, which the society can impose by Rule 55, will prevent capricious withdrawal and re-entry.

APPENDIX TO CHAPTER VI.

NOMINATION PAPER.

(*Pursuant to the Industrial and Provident Societies Act*, 1893.)

I, ...
Residence .....
Occupation .....
a member of the Playfair Co-operative Society Limited, and numbered .....in the said society, do hereby nominate the following as the only person or persons (none of them being an officer or servant of the society, unless such person is the husband, wife, father, mother, child, brother, sister, nephew, or niece of me, the nominator) to or among whom shall be transferred my property in the society, whether in shares, loans, or deposits, at my decease in such proportion, or to the extent of the amount, as is specified opposite each name :—

Name.	Description or Occupation.	Address.	Proportion or Amount.

[Where the nomination is not intended to comprise the whole of the member's property in the society, the amount to be comprised in it is to be specified.]

As witness my hand, this.....day of .....one thousand nine hundred and.....

Witness.....
Address.....

.....

Witness.....
Address.....

REVOCATION.

I,.....do hereby revoke the above nomination,
As witness my hand, this.....day of.....19....
Signed,.....

(Space for two witnesses, as above.)

.....

NOMINATION PAPER.—No. 1.

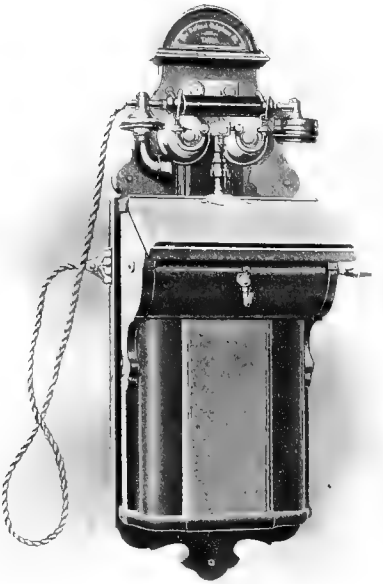
This is to certify that .....
has filed his nomination with the Playfair Co-operative Society Limited, this.....day of.....19.....

.....Secretary.

NOTE.—This certificate must be produced on Revocation.

TELEPHONE INSTRUMENTS.

WALL PATTERN.



For the use of the shops, and the Telephone-box.

PEDESTAL PATTERN.

For the use of the secretary or manager.

[Kindly lent by the National Telephone Co. Ltd.

PLATE VI

To face page 80

NOMINATION BOOK.

Progressive No.	Nominator.			Nominee.			Fee. *	Cash Book Folio.	Initials of Secretary.
	Name.	Address	Share Ledger Folio.	Name.	Address.	Proportion or Amount.			

* A Nomination, Revocation, or Variation Fee must not exceed 3d. (Treasury Regulations).

Share Ledger Folio..... Receipt No.....

NOMINATION RECEIPT.

Date.....19 .

I,.....of.....

hereby acknowledge to have received the sum of £.....due from the Society, to which I am entitled under Nomination Paper, No.....

PENNY STAMP IF £2 OR UPWARDS.

Signature.....

Address.....

FORM OF APPLICATION TO THE COMMISSIONERS OF INLAND REVENUE *RE* PAYMENT OR NON-PAYMENT OF SUCCESSION OR LEGACY DUTY.

In re the Provident Nominations and Small Intestacies Act, 1883, *and the Playfair Co-operative Society Limited.*

Registered Office ; 1, Market Street, Playfair.

In every case where the total amount standing to the credit of a deceased member of the society, not bequeathed by will, is more than £80, and not more than £100.

.....19....

To the Controller of Legacy and Succession Duties, Somerset House, London.

Sir,—By direction of the committee of management of the above-named society, I request that you will, either—

(1) Send them a certificate that no duty is payable on the sum standing to the credit of the undermentioned member thereof, deceased, in respect of the shares and interest therein specified in the statement annexed ; or

(2) Signify to the committee the amount of duty payable on the same, in order that they may provide for its discharge before they pay away the said sum

STATEMENT.

Name of the deceased* .....

.....

.....

Who died on the.....day of.....19....

Amount standing to the credit of the deceased—

		£	s.	d.
In the books of the society	For Shares			
	,, Loans			
	,, Deposits			
	Total			

(1) If the deceased has made a nomination, state for each nominee his or her—

Name.	Sum Nominated.	Relationship to the Nominator.

(2) If the deceased has not nominated, state –

The Name of each Claimant to the Property.	His or Her Relationship to the Member.

.....Secretary.

* State name, address, and occupation of the deceased. If a female, whether married, single, or a widow.

ADDITIONAL STATEMENT AS TO THE PROPERTY OF THE DECEASED NOT SPECIFIED ABOVE.

Name and address of the person who makes this statement—

.....

.....

An account of the personal estate other than that specified above, and of the debts and funeral expenses of the above-named .....rendered by*.....

.....

DESCRIPTION OF PROPERTY—	Value of Property. £ s. d.
Cash in the house	
Money in the Post-office or any other Savings Bank	
Furniture, Wearing Apparel, &c.	
Stock-in-Trade, &c.	
Life Assurance Policy or Policies	
Money payable by any Friendly or any other Industrial and Provident Society.....	
Book and other debts due to the deceased	
Money invested in the Public Funds, or in the Shares or Stock of any Railway or other Company.....	
Leasehold Property, viz. :—	
Personal Property of any other description, viz. :—†	
	£
Debts due by the deceased	
Funeral Expenses	
	£

DECLARATION.

I (or we), the undersigned, declare this to be a just and true account.

Dated this.....day of.....19....

.....

.....

* State the name, address, and occupation of the person by whom the account is rendered, and how such person is related to or connected with the deceased.

† If none, please state this.

‡ State particulars of any freehold or copyhold houses or land possessed by the deceased for life or otherwise.

§ State whether the grant of Probate, or Confirmation, or Letters of Administration has been or is intended to be obtained.

RULES BY WHICH THE PERSONAL ESTATES OF PERSONS DYING INTESTATE ARE DISTRIBUTED.

If the Intestate die, leaving	*The representatives take in the proportion following :—*
Husband	Whole to him.
Wife and child, or children	One-third to wife, rest to child or children; and if children are dead, then to the representatives (that is, their lineal descendants), except such child or children, not heirs-at-law, who had estate by settlement of intestate, or were advanced by him in his lifetime, equal to other shares.
Wife only, no relations	Up to £500, all to wife; all above the first £500, in each case, half to wife, rest to Crown.
Wife, no near relations	Up to £500, all to wife; all above the first £500, in each case, half to wife, rest to next-of-kin in equal degree to intestate, or their legal representatives.
No wife (or husband) or child	All to next-of-kin and their legal representatives.
No wife (or husband), but child, children, or representatives of them, whether such child or children by one or more wives (or husbands) of the deceased	All to him (or her) or to them equally.
If no child, children, or representatives of them	All to next-of-kin in equal degree to intestate.
Child, and grandchild by deceased child	Half to child, half to grandchild, who takes by representation.
Father, and brother or sister	Whole to father.
Mother, and brother or sister	Whole to them equally.
Wife, mother, brothers, sisters, and nieces (daughters of deceased brother or sister)	Up to £500, all to wife; all above the first £500, in each case, half to wife, residue to mother, brothers, sisters, and nieces.
Wife, and father	Up to £500, all to wife; all above the first £500, in each case, half to wife, and half to father.
Wife, brothers or sisters, and mother	Up to £500, all to wife; all above the first £500, in each case, half to wife, half to brothers or sisters, and mother.
Mother, but no wife, child, father, brother, sister, nephew, or niece	The whole to mother.
Wife, and mother	Up to £500, all to wife; all above the first £500, in each case, half to wife, half to mother.
Brother or sister of whole blood, and brother or sister of half blood	Equally to both.
Posthumous brother or sister, and mother	Equally to both.
Posthumous brother or sister, and brother or sister born in lifetime of father	Equally to both.
Father's father, and mother's mother	Equally to both.
Uncle or aunt's children, and brother's or sister's grandchildren	Equally to all.
Grandmother, uncle, or aunt	All to grandmother.
Two aunts, nephew, and niece	Equally to all.
Uncle, and deceased uncle's child	All to uncle.
Uncle by mother's side, and deceased uncle or aunt's child	All to uncle.

RULES BY WHICH THE PERSONAL ESTATES OF PERSONS DYING INTESTATE ARE DISTRIBUTED.—CON.

If the Intestate die, leaving	*His representatives take in the proportion following :—*
Nephew by brother, and nephew by half-sister.	Equally *per capita*.*
Nephew by deceased brother, and nephews and nieces by deceased sister	Each in equal shares, *per capita* and not *per stirpes*.
Brother and grandfather	Whole to brother.
Brother's grandson, and brother or sister's daughter	All to brother or sister's daughter.
Brother and two aunts	All to brother.
Brother, and wife	Up to £500, all to wife; all above the first £500, in each case, half to brother, half to wife.
Wife, mother, and children of a deceased brother (or sister)	Up to £500, all to wife; all above the first £500, in each case, half to wife, a fourth to mother, and a fourth *per stirpes* to deceased brother's or sister's children.
Wife, brother, or sister, and children of a deceased brother or sister	Up to £500, all to wife; all above the first £500, in each case, half to wife, one-fourth to brother or sister, one-fourth to deceased brother's or sister's children *per stirpes*.
Brother or sister, and children of a deceased brother or sister	Half to brother or sister, half to children of deceased brother or sister *per stirpes*.
Grandfather, no nearer relation	All to grandfather.

By the Act 19 & 20 Vict., cap. 94, all special *local* customs relating to the estates of intestates are abolished so far as they affect personal property.

RULES OF DIVISION, ACCORDING TO THE LAW OF SCOTLAND, OF THE MOVABLE ESTATE OF A PERSON WHO HAS DIED INTESTATE.

If the Intestate die, leaving	*His representatives take in the proportion following :—*
Wife	Half to wife, other half to deceased's next-of-kin.
Wife and child, or children	One-third to wife, remaining two-thirds to child, or among children equally.
Wife and children, and issue of predeceasing children	One-third to wife, one-third to children equally, and the remaining third between the children and the issue of the predeceasing children—the children taking *per capita*, the latter *per stirpes*.
Wife and grandchildren	Half to wife, and half to grandchildren equally among them.
Wife, and his children by former marriages	One-third to wife, two-thirds to children equally.

* *Per capita, i.e.*, by the head; *per stirpes* (by descent), *i.e.*, through their parent and not in their own right. Where property divides *per capita*, it is divided into as many shares as there are children; where *per stirpes*, the share which would have fallen to the predeceasing parent if alive is divided equally among his children.

RULES OF DIVISION, ACCORDING TO THE LAW OF SCOTLAND, OF THE MOVABLE ESTATE OF A PERSON WHO HAS DIED INTESTATE.—CON.

If the intestate die, leaving	*His representatives take in the proportion following :—*
Wife, and her children by last and prior marriages	One-third to wife, remaining two-thirds to *deceased's* children.
Husband	Half to husband, other half to next-of-kin.
Husband and children	One-third to husband, rest to children.
Children only	Whole to children.
Children, and issue of predeceasing children	Half to children, remaining half between children *per capita*, and issue *per stirpes*.
Grandchildren	Equally to all.
Children by two or more marriages	Equally to all.
Father	Whole to father.
Mother	One-third to mother, other two-thirds to next-of-kin.
Father and mother	Whole to father.
Father and mother, and brothers and sisters	Half to father, half to brothers and sisters equally.
Mother, and brothers and sisters	One-third to mother, remaining two-thirds to brothers and sisters.
Father, mother, brothers, or sisters, and issue of deceased brothers or sisters	Half to father, half to brothers and sisters *per capita*, and issue *per stirpes*.
Mother, brothers, or sisters, and issue of deceased brothers or sisters	One-third to mother, remaining two-thirds as in last example.
Father and mother, and their grandchildren	Half to father, other half to grandchildren equally.
Mother, and her grandchildren	One-third to mother, other two-thirds to grandchildren equally.
Father, mother, children, and grandchildren of deceased brothers or sisters	Half to father, other half between children *per capita*, and grandchildren *per stirpes*.
Mother, children, and grandchildren of deceased brothers or sisters	One-third to mother, other two-thirds among children *per capita*, and grandchildren *per stirpes*.
Brothers or sisters	Equally among them.
Brothers or sisters, and nephews or nieces	Brothers or sisters *per capita*, nephews or nieces *per stirpes*.
Nephews and nieces	Equally.
Grandnephews or nieces	Equally.
Brothers or sisters of full blood, and brothers or sisters of half blood	Whole to brothers and sisters of full blood.
Brothers or sisters consanguinean (that is, by same father but not same mother), and brothers or sisters uterine (that is, by same mother but not by same father)	Whole to brothers and sisters consanguinean.
Brothers or sisters consanguinean, and uncles or aunts	Whole to brothers and sisters.
Brothers and sisters uterine, and uncles or aunts	Half to brothers and sisters, other half to uncles and aunts.
Father, mother, and uncles and aunts	Whole to father.
Father, and cousins of full blood	Whole to father.
Mother, and uncles or aunts	One-third to mother, two-thirds to uncles and aunts.
Mother, and cousins of full blood	One-third to mother, two-thirds to cousins equally.
Grandfather, and uncles and aunts	Whole to uncles and aunts.
Grandfather, grandmother, and mother	One-third to mother, two-thirds to grandfather.

Illegitimate children do not succeed to their father and mother when the latter leave no will in their favour. When an illegitimate child dies without a will, and leaves neither wife nor children, his estate falls to the Crown.

FORM OF RECEIPT TO BE OBTAINED ON PAYING OVER THE PROPERTY OF AN INTESTATE MEMBER.

I (or we), the undersigned, being the person entitled to the property of....., of....., deceased, in the Playfair Co-operative Society Limited, hereby acknowledge having received the sum set against my (or our) name and signature below contained, in full discharge of all claims against the said society in respect to all shares, loans, deposits, interests, and dividends standing to the credit of the deceased in the books of the said society.

Signed by me (or us) this.....day of.....19 .

Name of Beneficiary.	Address.	Relation to Deceased.	Amount Received. £ s d.	Signature.

FORM OF RECEIPT TO BE OBTAINED ON PAYING OVER THE PROPERTY OF AN INSANE MEMBER.

I (or we), the undersigned, hereby acknowledge having received from the Playfair Co-operative Society Limited, the sum of..... ....., the said sum being the property of..... of....., a member of the said Playfair Co-operative Society Limited, who is now insane, and on whose behalf I (or we) have agreed to receive and apply the same, in accordance with the provisions of Section 29 of the Industrial and Provident Societies Act, 1893 (56 and 57 Vict., ch. 39, Section 29), no committee of his estate or trustee of his property having been appointed.

Name of Recipient.	Address.	Relation to Insane Member.	Amount Received. £	s.	d.	Signature.

CHAPTER VII.

The Share Office—Transferable Shares.*

Applications for Transferable Shares.

Whether the share capital is transferable or withdrawable, a written application for shares should be made by the person desiring to become a member. Where only transferable shares are issued,† the procedure is similar to that of a company, both as to application or allotment. Application forms will be supplied by the society (see pages 99 and 100), and in the case of an individual shall be signed by him, and in the case of a society or company, signed by two members of the committee, countersigned by the secretary, and shall state the registered office, the date of the resolution authorising the investment on the society's or company's behalf, and the number of transferable shares applied for. This form must be accompanied by 1s., the entrance fee required by the rules (Rule 9) ; and any portion of the money payable on such shares, which the special rules may direct to be paid on application, must be returned with the entrance fee (Rule 14) if the shares applied for are not allotted. The application should state that the money shall be paid into the bank account direct, and a perforated slip attached will be returned to the applicant as receipt for such amount paid, by the bank who will produce to the society the application form. The application forms must be filed (Rule 16) in the order of receipt, and numbered progressively, and the number referred to in the register of members. (See pages 101 and 144.) The file of the "Shannon" type will be found very useful in this and all other matters requiring the filing of a separate class of documents in their datal or progressive order. (See page 32.) The share office will take charge of the

* This chapter applies chiefly to Productive Societies, and Tenant Societies, whose share capital is usually transferable and not withdrawable.

† See page 78.

application forms received from the bank and enter the particulars of the same on the applications and allotments sheets (see page 102) in columns 1 to 8, the order of entry being made to correspond with the progressive number of the application forms on the file. They will then hand the sheets to the cash office, who will enter the items of cash into the daily cash book, enter the folio in column 9, and prove their entry with the entries in the bank pass book.

Allotment.

In the committee is vested the power of allotting shares to applicants, subject to appeal. The applications* must come before their next meeting for consideration, and it is the duty of the share office to submit the applications and allotments sheets to the secretary at such times as he fixes for preparing the agenda for the committee meeting. At this meeting the secretary will read the particulars entered thereon, and the committee will resolve to allot a certain number of shares to the applicant, either to the number required or such less number that they agree to allot, so long as they do not bring the holding of each member to a greater amount than the maximum number of shares permitted to be held by the Act, or such lesser sum fixed by the registered rules, or a resolution of the general business meeting. It should be remembered that it is a dangerous policy to refuse to allot, except on good cause shown. If the society trades also with persons who are not members, it would become chargeable with income tax ;† for the refusal to allot would amount in practice to the limitation of the number of its shares. (Section 24.) The secretary will embody the resolution of allotment in the minutes, and enter in column 10 of the applications and allotments sheets the date of the resolution, the number of shares allotted in column 11, and in column 12 the folio of the minute book in which the

* The signing of the application for the registry of the society (see page 16) is *ipso facto* the application for membership, and the allotment of the minimum number of shares. These names will therefore constitute the first entries in the Applications and Allotments Sheets.

† See page 507.

resolution of allotment appears, returning the sheets to the share office. Where the application is accepted, intimation in writing must be given, as until the moment that such notice of acceptance is posted by prepaid letter there is no legal contract, for any such application may be legally withdrawn before the allotment takes place.* The secretary should therefore make it his duty to post the notices of such allotment by the first possible post after the committee meeting, even though by Rule 13 it is only necessary to give such notice within one week of the allotment. The notices should be in the form set out on page 103, and should be prepared on sheets, machine numbered, with counterfoil giving name, number of shares allotted, date posted, share ledger folio, and initials of secretary. There has been much difference of opinion as to whether societies are liable to stamp duty on letters of allotment, which, in the case of a company, must be paid by an impressed stamp of 1d. where the total value of the shares allotted amounts to a sum less than £5, otherwise the stamp duty must be paid by an impressed stamp for 6d. Correspondence between the Inland Revenue authority and the Co-operative Union, dated January, 1907, has now made it clear that a society is not a company within the meaning of sections 78 and 79 of the Stamp Act, 1891. With the notice of allotment must be sent a copy of the society's registered rules (Rule 9).

All transferable shares should be applied for and allotted. Therefore no interest or dividends payable to a member should be allowed to accumulate on share account, except where they are required to pay up shares applied for and allotted (Rule 26). All sums accruing to the credit of a member other than those applied in payment of shares unpaid, should be allowed to accumulate as loan, if the rules allow of loan capital being issued and an agreement has been executed (see Rule 30); otherwise such sums should be repaid in cash.†

* See page 150.

† If the special rules of the society thus provide, it may be credited to Trade Account, otherwise there is no lien upon dividend for debt until and when it becomes share capital.

Every quarter a notice should be issued to members whose shares are in arrear, indicating the amount payable on such date on account of unpaid shares, with a direction that the same shall be paid on or before a stated date into the society's banking account, a perforated receipt form being attached, which is returned by the bankers to the shareholder in acknowledgment. (See page 104.)

Where the application is refused, intimation in writing, signed by the secretary, must also be given, and the applicant has the right of appeal to the next ordinary meeting of the society held after the notice of such refusal, and the meeting may make such order as it thinks fit (Rule 21). The notice of refusal (as in the notice of admission) must be given within seven days of such decision, and on demand by the member the sum paid on application, including the entrance fee, must be repaid to him. Such sums to be repaid will be entered in columns 19 and 20 of the applications and allotments sheets, and the folio of the daily cash book on which the entry of the payment is made will be entered in column 21 by the cash office.

Register of Members.

The allotment book, now returned to the share office, records the persons who have been admitted as members, and it is the duty of the office to place the name of the applicant, his occupation and address, upon the list of members (Rule 20). This list will be found to be more convenient if kept on the card-index system, the cards being arranged alphabetically, with the usual alphabetical guide cards inserted. (See pages 101 and 144.) On the card will also be entered the folio of the shareholder's ledger account, thus acting as an index for the share ledger. The same number will also be kept identical for a vertical file (see page 160), in the folder of which the application form will be inserted, and other official papers which are required to be kept on behalf of the shareholder, such as the counterfoil of allotment letter, nomination form, transfer deed,

cancelled share certificates, notes *re* letters of administration and other documents, letters, and copies of letters, which are thus kept together in a compact form and ready for reference; it will also prove to be an easy method of proving signatures by reference to the application form. The cards will also show spaces for the changes of address. When a person ceases to be a member, the card relating to him may be inserted in the folder relating to him in the vertical file, which can be transferred to another file; thus the current file is kept free from all dead matter.

Register of Transferable Shares.

Transferable shares must have an identification number, which must be progressive, and must be allotted to members in the order of the numbers. These shares must be entered in a share register, in which, under the number of each share, shall be entered the name of each member to whom it was originally allotted, or under whose name it is now held; and if the share is cancelled, the date of such cancellation (Rules 42 and 43). As these particulars are also required in the share ledger, compliance with the rules may be effected by means of a card system, each card being arranged numerically, with guide cards at each sequence of ten. (See page 105.) The share office will not only fill up columns 13 and 14 in the applications and allotments sheets, but also enter up the cards accordingly with their first entries from the particulars stated.

Transferable Share Ledger.

In the charge of the share office are also the share ledgers, in which are entered separately the continuous account of each member's relations with the society with regard to share capital. Where all the share capital is transferable,* the ledger account is divided into two portions, the top portion containing the following particulars in separate columns under the name of each member:—The numbers of the shares originally allotted to, or subsequently acquired by, such member, with the dates and numbers of allotment

* See page 78.

and transfers respectively, and a reference to the pages containing the names of the transferors; the numbers of all shares transferred, with the date and number of such transfers respectively, and a reference to the pages containing the names of the transferees (Rule 43). The lower portion contains particulars of the amounts paid. (See pages 107 and 108.) The particulars of the entries in the applications and allotments sheets are entered into the ledger, including the amounts paid on application, but not the entrance fees, the folio of the share ledger being entered in column 16. (See page 102.) The ledger may be on the loose-leaf plan (see page 384), the sheets numbered consecutively. When a sheet is filled up it may be taken from the ledger and inserted in the folder allotted to the member in the vertical file, and replaced by a new sheet of the same number. Whether a sheet is full or not, this procedure should be followed in the case when the folio refers to a person who has ceased to be a member, and the folio allotted to a new member. The loose-leaf ledger will be found particularly useful in this respect, as it eliminates dead matter without losing the value of its record, and shows at any time the actual number of members of the society, the number of pages corresponding to the numbers of the cards in the alphabetical index; omitted numbers being allotted to the new members in order of entry. A record should be kept each balancing period of the list of members and register of shares in the manner given on page 114. Cards representing cancelled shares in the index of shares should be placed at the back of the box, with a guide card indicating the period during which they were cancelled. Cancelled shares should not be re-issued.

Share Certificates.

Where the shares are wholly transferable,* the usual plan is to issue share certificates† or scrip, which are prepared in book-form, the scrip being attached to a counterfoil, and the

* See page 78.

† If a share certificate (or pass book, see page 97) is lost, an indemnity from the holder should be demanded before a new scrip is issued. See page 109.

certificate and its counterfoil being progressively numbered. A specimen form will be found on page 106. The counterfoil should contain spaces for the registered numbers of the shares, the name and address of the person to whom they were issued, the number of allotment, the date of the signing, sealing, and issuing of the certificate, and the folio of the member's account in the ledger. The share office should enter up the counterfoils at once on allotment, leaving the scrip blank, because it is unusual to issue the latter until the whole of the shares which it represents have been paid up. It should be noted that the certificate should only be issued in exchange for the letter of allotment, and the receipts for the amounts paid up on the shares. When prepared they are placed by the secretary before the committee for signature and the affixing of the society's seal,* a resolution of the committee being required to give authority for the same. The secretary will record such resolution in the minute book, and countersign all the certificates before issue. The advantage of entering up the counterfoils on allotment, and not when the shares are paid up, is in the fact that at each period of balancing, the allotment book and the share certificate book will agree in order of entry, and when a transfer takes place the records in the certificate book assist reference.

Transfers.

Where shares are transferable they cannot be sold to the society (which the act of withdrawal of shares practically amounts to), but the member has the right to sell his shares to any other person, though the latter cannot be registered as the holder of such shares except with the committee's consent to the transfer.† If the transferee is not a member, he must be approved of as a member in the ordinary way by which application for admission is made, and accepted‡ before the transfer can be registered (Rule 46), that is to

* See page 466. † See page 159.

‡ The only exception is in the case of nomination (see page 73) when the transfer in itself constitutes membership (Rule 64).

say, he should fill up an application form (see page 99), amended as required, and enclose it with the transfer form. The contract of transfer must be made in a certain form (see page 111) provided by the society; must be executed by the transferor and transferee; and must be kept in the office of the society (Rule 44). It is usual to use a Shannon file for transfers, numbered consecutively, in the first instance, from which they are entered into the register of transfers. (See page 112.) When the transfers are passed by the committee, the transfer documents should be taken off the file and placed within the folder relating to such transferee in the vertical file, a record also being filed in the folder allotted to the transferor.

Register of Transfers.

After the transfer forms have been placed on a Shannon file, numbered consecutively, and entered in the register, the register is handed to the secretary at each succeeding committee meeting to obtain approval of the transfers entered since last submitted. On approval, the secretary should enter the particulars in the minutes,* adding his initials and the date after the last entry in the register. A column should be provided in the register for the record of the fee of 6d. payable upon each transfer (Rule 47). Before the transfer is placed on the file and entered in the register, it should be examined to see that it is properly stamped† and witnessed,‡ and that the transferor is not indebted to the society for goods or unpaid shares. In such a case, the special order of the committee is required for such transfer,

* See Chapter XXXI.

† The Stamp Duties on transfers are as follows:—

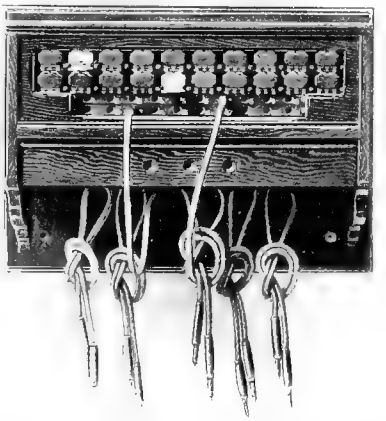
Where the consideration is not over £5, 6d.; and 6d. for every further £5 or fraction thereof up to £25.

Where the consideration exceeds £25, but not over £50, 5s.; and 2s. 6d. for every £25 or fraction thereof up to £300. Beyond £300 the duty payable amounts to 5s. for every £50 or fraction thereof.

‡ When the witness is a female she must state whether she is a spinster, wife, or widow; and if a wife, she must give her husband's name, address, and occupation. The date must be in writing and not in figures.

TELEPHONE SWITCHBOARD.

TWENTY LINE SWITCH—WALL PATTERN.



Showing the private exchange by which each shop can be switched through to the secretary or manager, or to each other, or to the Telephone Exchange.

[*Kindly lent by the National Telephone Co., Ltd.*

PLATE VII.

To face page 96.

which means that the fact must be recorded in the minutes to show that the secretary has duly apprised the committee of the fact. The share certificates held by the transferor in reference to the shares transferred must be produced as well, and will be endorsed as cancelled, referring to the transferee's folio in the share ledger, and other particulars of identification, and inserted in the folder of the vertical file allotted to the transferor.

Where the shares which the scrip represents are wholly transferred, a new certificate must be issued in respect to them in favour of the transferee, and if only a part of shares are transferred, in addition to the certificate in favour of the transferee, a new certificate should be issued in favour of the transferor with respect to the remaining shares untransferred. All these points should be carefully noted by the share office. Where the transfer represents the cessation of membership, the committee may pay the stamp duty, and his name must be struck off the list of members; this being effected by abstracting his card from the alphabetical list of members, and endorsing the same accordingly. The card index representing the register of shares must also be amended by entering upon the cards representing the transferred shares the number of the transfer deed, the new share folio (which is also the number of the folder on the vertical file, representing the new member), and the folio and date of the entry in the minute book. (See page 105.)

The Pass Book.

Where share certificates are used, no pass book is required, but many societies with transferable shares issue pass books in lieu of share certificates. These should be an exact copy of the transferable share ledger, and should bear the number of the member in the society's share ledger. It should be produced to the bank on every transaction, which will remit it to the share office to be entered up and returned to the member. The pass book should accompany the allotment

letter, and should be produced to the committee when each transfer is submitted for approval.

The Balancing Period.

When the date of balancing is due, a summary must be made of the transferable shares, for the purpose of calculating the interest and allocating the dividend. The summary is made in the manner set forth on page 110, showing the ledger folio, the shares held by each member, the nominal value, the amount paid up, the interest payable thereon, the dividend allotted, the amount appropriated to pay arrears on shares, and the amount to be paid in cash or to be transferred to loan account.* The amounts to be paid in cash (column 8) will be entered on a form with a receipt slip attached (see page 113), from which the cash office will prepare the cheques for signature by the committee. A share capital adjustment account should also be prepared as given on page 114 (see also "Co-operative Book-keeping," pages 221-227). This will show the proof of the share ledger, the register of shares issued, and the register of members. It will be noted that the figures opposite the item (6) "balance" will agree with the number of items in the summary of transferable shares, and the totals of columns 2, 3, and 4 (page 114).

* Or Trade Account, see page 91 and footnote.

APPENDIX TO CHAPTER VII.

THE PLAYFAIR PRODUCTIVE SOCIETY LIMITED.

APPLICATION FOR TRANSFERABLE SHARES BY AN INDIVIDUAL.

Date.....19.. No.....

To the Committee of *For office use only.*

THE PLAYFAIR PRODUCTIVE SOCIETY LIMITED.

Gentlemen,

I have this day paid to the Co-operative Bank Limited the sum of....., being the required Entrance Fee of 1s., and the amount of .....per share payable on application for..... Transferable Shares of one pound each in the above-named society, which I desire you to allot to me, or any less number, in respect of which I agree to make the payments required by the rules of the society and otherwise to be bound thereby.

Name (in full).....

Address (in full) .....

.....

Profession or Occupation .....

Usual Signature .....

THE PLAYFAIR PRODUCTIVE SOCIETY LIMITED.

No. .....

RECEIPT FOR ENTRANCE FEE AND APPLICATION MONEY.

Received this.....day of....., 19...., from.....on account of the PLAYFAIR PRODUCTIVE SOCIETY LIMITED, the sum of ..... pounds, ...shillings, being the Entrance Fee of 1s. and the amount of.....per share on.....Transferable Shares of one pound each.

For the Co-operative Bank Limited,

.....*Cashier.*

£ : : .

NOTE.—Section 25 of the Industrial and Provident Societies Act gives the applicant the power of nomination.

THE PLAYFAIR PRODUCTIVE SOCIETY LIMITED.

APPLICATION FOR TRANSFERABLE SHARES BY A SOCIETY OR COMPANY.

Date.....19....

No.....
For office use only.

To the Committee of

THE PLAYFAIR PRODUCTIVE SOCIETY LIMITED.

Gentlemen,

We have this day paid to the Co-operative Bank Limited the sum of....., being the required Entrance Fee of 1s., and the amount of .....per share payable on application for .....Transferable Shares of one pound each in the above-named society, which we desire you, by virtue of a resolution thereof, dated the.....day of.....19 , to allot to us, or any less number, in respect of which we agree to make the payments required by the rules of the society and otherwise to be bound thereby.

.....} Two Members
.....} of Committee.

.....Secretary.

Registered Office.....

THE PLAYFAIR PRODUCTIVE SOCIETY LIMITED.

No.....

RECEIPT FOR ENTRANCE FEE AND APPLICATION MONEY.

Received this.....day of.....,....., 19.... from.....on account of the PLAYFAIR PRODUCTIVE SOCIETY LIMITED, the sum of ..... pounds, ...shillings, being the Entrance Fee of 1s. and the amount of.....per share on.....Transferable Shares of one pound each.

For the Co-operative Bank Limited,

.....*Cashier.*

£ : : .

Application No...... *Share Ledger Folio*.....

REGISTER OF MEMBERS.

Name.....

Address.....

.....

Occupation.....

Changes of Address.....

.....

.....

.....

Date of Entry as a Member..... *Minute Book Folio*.....

Date when Membership Ceased..... *Minute Book Folio*.....

APPLICATIONS AND ALLOTMENT SHEETS.

Part of Sheet (left-hand).

Progressive Number.	Date of Application.	Name.	Address.	Description.	Number of Shares Applied for.	Entrance Fee.	Paid on Application. £ s. d.
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)

Part of Sheet (right hand).

Cash Book Folio.	Date of Allotment	Number of Shares Allotted.	Minute Book Folio.	Registered Numbers, both inclusive. From	Registered Numbers, both inclusive. To	No. of Share Certificate.	Folio in Share Ledger.	Nominal Value of Shares Allotted. £ s. d.	Allotment No.	Cash Returned. Entrance Fees. £ s. d.	Cash Returned. Paid on Shares £ s. d.	Cash Book Folio.
(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)

COUNTERFOIL.

Allotment No. 1.

Application No. .....

Name .....

Address .....

No. of Shares .....

Date Posted .....

Share Ledger Folio .....

Initials of Secretary .....

THE PLAYFAIR PRODUCTIVE SOCIETY LIMITED.

NOTICE OF ALLOTMENT OF TRANSFERABLE SHARES.

Date ..... *No.* 1.

Sir or Madam,

In compliance with your application dated....., I am directed to inform you that the Committee have allotted to you .....Transferable Shares of £1 each in the above-named Society, and entered your name upon the register of members.

Your attention is called to Nos. 20, 28, and 29 of the enclosed copy of the registered rules with respect to the manner in which your shares should be paid up, and the liability you incur in the event of non-payment.

Yours faithfully,

..... *Secretary.*

Name .....

Address .....

.....

THE PLAYFAIR PRODUCTIVE SOCIETY LIMITED.

———

Date.....

Sir or Madam,

I am directed by the Committee to inform you that the sum of £ : : remains unpaid upon the Transferable Shares held by you, of which £ : : is payable at this date, by virtue of Rule 20.

Kindly pay this amount on or before the.....inst. into the society's account at the Co-operative Bank Limited, and oblige,

Yours faithfully,

.....Secretary.

To.....

THE PLAYFAIR PRODUCTIVE SOCIETY LIMITED.

———

RECEIPT FOR MONEY PAYABLE ON UNPAID TRANSFERABLE SHARES.

———

Received of.....the sum of .....pounds, ...shillings, being the amount due to date upon.....Transferable Shares of one pound each in the above-named society.

For the Co-operative Bank Limited,

£ : : .

.....*Cashier.*

REGISTER OF TRANSFERABLE SHARES.

REGISTERED SHARE No., 262.

Application No..... *Allotment No.....* *Minute Book Folio.....*

FIRST SHARE LEDGER FOLIO.....

Transfer No.	New Ledger Folio.	Minute Book Folio.	Date.

Date of Cancellation, ...

Minute Book Folio.....

Playfair Productive Society Limited.

No. 1. *Share Ledger Folio*.....

For..... *Shares*

Numbered.....

Issued to.....

of.....

No. of Allotment.....

Date of Issue .....

Minute Book Folio.....

Folio in Register of Members...

Date of Cancellation.....

New Certificate No.....

No. 1. Share Ledger Folio

Playfair Productive Society Ltd.

SHARE CERTIFICATE.

This is to certify *that*.....

of.....

is the Registered holder of.....*Shares of £1 each numbered* .....*to*.....*inclusive in* THE PLAYFAIR PRODUCTIVE SOCIETY LIMITED, *subject to the Rules of the said Society.*

Given under the Common Seal of the said Society this.....*day of*.....19....

SEAL.

The Common Seal of the said Society was hereunto affixed pursuant to a resolution of the Committee dated the .....*day of*.....19....*in the presence of*

.....SECRETARY.

.....
.....
MEMBERS OF COMMITTEE.

NOTE.—No Transfer of any portion of the shares comprised in this certificate will be registered unless the transferee is previously approved by the Committee, and unless the transfer is accompanied by this certificate.

TRANSFERABLE SHARE LEDGER.

282

PARTICULARS OF SHARES.

Date.	Allotment or Transfer No.	Acquired.			Transferred.			Present Number Held.				
		Number.	Numbered.		Number.	Numbered.		Number.	Numbered			
			From	To		From	To		From	To	From	To

ACCOUNT OF SHARES.

Date.	Cash Book Reference.	Transfer Reference.	Cr. Cash.	Cr. Transfer.	Dr. Transfer.	Present Claim.

THE PLAYFAIR PRODUCTIVE SOCIETY LIMITED.

AGREEMENT OF INDEMNITY.

Dear Sir,

I have to inform you that I am the registered holder of..... shares, numbered.....in your society, and that I have lost the share certificate in respect thereof. Kindly issue to me a new scrip, and accept this letter as my personal undertaking to indemnify your society from all liability, costs and expenses, claims and demands, which may at any future time be made against your society in respect thereof or in anywise relating thereto.

Signed .....

6d.
AGREEMENT
STAMP.

Address .....

NOTE.—Where a pass book has been issued, the above form should be amended accordingly.

SUMMARY OF TRANSFERABLE SHARES.

Share Ledger Folio.	No. of Shares.	Nominal Value.	Balance as per Ledger.	Profits Appropriated.		Total Payable.	Disposed as Follows:—			Folio.
				Interest.	Dividend.		Paid.	Transferred to Share A/c.	Transferred to Loan A/c. *	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)

* Or Trade Account.

TRANSFER DEED.

STAMP IMPRESSED.

I.....of.....
in consideration of the sum of.....
.....paid by .....
of.....hereinafter called the transferee,

Do hereby bargain, sell, and transfer to the said transferee .....fully paid transferable shares of £1 each, numbered.....to.....inclusive of and in the Playfair Productive Society Limited.

To hold unto the said transferee his/her executors, administrators, and assigns subject to the rules of the said society, in which I held the same immediately before the execution hereof; and I, the said transferee, do hereby agree to accept and take the said shares subject to the rules aforesaid.

As witness our hands and seals this..... day of.....in the year of our Lord, one thousand nine hundred and.....

Signed, sealed, and delivered by the above-named in the presence of — *Transferor*—

Signature

Address

Occupation

SEAL.

Signed, sealed, and delivered by the above-named in the presence of — *Transferee*—

Signature

Address

Occupation

SEAL.

TRANSFER REGISTERED No.	Certificate numbered.....relating to the within-named shares numbered..... to.....inclusive lodged with the society this.....day of.....19..... .....Secretary.

REGISTER OF TRANSFERS.

Part of Sheet (left hand).

Progressive No. of Transfer Deed.	Date of Registration.	Transferor.			Shares Transferred.		No. of Cancelled Certificate.	No. of New Certificate issued for unsold balance	Transferor's Share Ledger Folio.	Consideration.		
		Surname.	Christian Name.	Address (in brief).	No. of Shares.	Registered Numbers (inclusive).				£	s.	d.

Part of Sheet (right hand).

Stamp Duty on Deed.	Transfer Fee.	Cash Book Folio.	Transferee.			No. of Application Form (if new member).	No. of New Certificate.	Transferees' Share Ledger Folio.	Minute Book Folio.	Date and Initials.
			Christian Name.	Address.	Occupation.					

MICRO-TELEPHONES.

SECRETARIAL

Showing the selector by which the secretary may put himself into communication with the various departments of the office.

[*Kindly lent by the National Telephone Co. Ltd.*

PLATE VIII

To face page 112

THE PLAYFAIR PRODUCTIVE SOCIETY LIMITED.

DIVIDEND WARRANT.

Share Ledger Folio..... 1st *August*, 1908.

To.....

Dear Sir or Madam,—I have to inform you that at the general meeting of the members held on the 28th ultimo, a dividend of 1s. in the £ was declared upon your purchases from the society for the half year ended 30th June, 1908, in addition to the interest upon shares of 5 per cent as per rule, particulars of which are stated below.

Enclosed please find cheque in payment of the same, acknowledgment of which on the attached form will oblige.

Yours faithfully,
Pro. the Society,
W. L. FYLDE, *Secretary*.

	£	s.	d.
Interest on.....transferable shares at 5 per cent per annum			
Dividend upon £.....purchases at 1s. per £			
Less amount reserved in payment of arrears of shares			
*Cheque herewith			

.....

THE PLAYFAIR PRODUCTIVE SOCIETY LIMITED.

DIVIDEND RECEIPT.†

Share Ledger Folio.....

Received this.....day of.....19.... cheque value £ : : in payment of interest and dividend for the half year ended 30th June, 1908.

Signature.....

* Where the amount is credited to Loan Account or Trade Account, these words will be altered accordingly.

† Where the amount is credited to Trade Account, a credit note will be attached instead of a Dividend Receipt. (See page 202.)

TRANSFERABLE SHARE CAPITAL ADJUSTMENT ACCOUNT.

	Register of Members.	Register of Shares.	Paid-up Value		Register of Members.	Register of Shares.	Paid-up Value.
			£				£
(5) Shares Cancelled	8	12	6	(1) As per Balance Sheet last period.....	826	2468	2206
				(2) Shares allotted.....	28	176	44
(6) Balance	846	2632	2378	(3) Arrears paid up	..	..	75
				(4) Interest and Dividend transferred	..	..	59
	854 (a)	2644 (b)	2384 (c)		854 (a)	2644 (b)	2384 (c)

(a) Represents the number of cards in the Register of Members at the beginning and end of the period (see page 92), the latter also being identical with the number of leaves in the loose-leaf share ledger, and the number of items in the Summary of Transferable Shares. (See page 110, column 1.)

(b) Represents the number of cards in the Register of Shares (see page 93) at the beginning and end of the period, the latter being the difference between the registered number of the last share issued (see column 14 on page 102), after deducting from such number the number of cancelled cards to date (see page 94), transfers not having affected in any way the result; (6b) will agree with the total of column 3 in the Summary of Transferable Shares. (See page 110.)

(c) Represents the total paid up in cash, and the balance (6c) will appear as a liability in the Balance Sheet (see "Co-operative Book-keeping," page 227); (2c) will be the total of cash paid on application on allotted shares, *i.e.*, the difference between columns 8 and 20, page 102; (3c) will be the amount received on Arrears Account as per Cash Book; and (4c) the interest and dividend transferred to Share Account the previous period, as per column 9, page 110. (Also see page 91.) (5c) Represents the value of cancelled shares transferred to Reserve Fund. (See page 71.)

CHAPTER VIII.

The Share Office—Withdrawable Shares.*

General Effect of Withdrawable Share Capital.

Where the shares are withdrawable an entirely new method obtains. The application for shares is practically only an application for membership, and allotment becomes automatic in character. The application is judged to be an application for one £1 withdrawable share, which cannot be withdrawn except upon total withdrawal from the society, requiring a resolution of the committee to permit of this act (rule 55), and a panic which might result in a large demand for total withdrawals from membership is prevented by this rule. A further protection from a large loss of share capital is gained by Rule 55, relating to notice of withdrawal (see page 122), which also reserves the power to the committee to suspend the right of withdrawal altogether, where necessary, but such resolution must be confirmed or may be rescinded by the next general meeting, whether ordinary or special. Withdrawable shares are a valuable feature of distributive societies, as it encourages investment on the part of the members, as well as allowing them to use the society as a bank for their savings, without the stringent conditions applied to the business of banking. The automatic character of allotment is seen when it is pointed out that the bulk of share capital is obtained by members allowing their dividend and interest to accumulate to their credit; the only limit to such accumulation being the stipulation of the Act, that no member shall hold more than £200 in shares, this limit often being reduced by a special rule of

* This chapter applies more particularly to Retail or Distributive Societies, whose share capital is usually withdrawable and not transferable.

the society, or by resolution of the general meetings from time to time. There is no reason for this limit, for the greater the amount allowed to be invested per member, the greater amount of surplus capital is in the hands of the committee to invest, either in cash at call* or in the various co-operative concerns which depend upon the distributive society for their working capital. The loss in interest on such investments seldom averages more than 1 per cent, and this is more than regained in the increased trade following upon the increased credit of the society and the accelerated success of productive enterprise.

The automatic allotment of withdrawable shares by the transfer of interest and dividend, or the contribution of amounts over and above the amount required to make even pounds of share capital, puts the member under a liability to complete the payment of a share thus partly paid up, whether in the case of liquidation or in the ordinary course of the society's operations, though the society cannot enforce any special collection of such unpaid capital, except in the case of the one share which must be held. In the latter case, a written notice should be sent each quarter to such a member after the interest and dividend payable to him has been reserved and transferred as per Rule 26, informing him that the same should be paid in before a specified date or a fine will be imposed, or if three months in arrear his share will come under special consideration by the members with regard to the rules relating to forfeiture. Personal knowledge of the poverty or distress of a member does not clear the responsibility of the secretary or the committee consequent upon the departure from the rules, and, as they are appointed to execute the rules, they should see that they are carried out in all respects. The right of forfeiture rests with the members, and only by resolution of the members to withhold such right in particular cases can the responsibility of the committee and officers be deemed to cease. (See also page 71.)

* See page 408.

Applications for Membership.

Applications for membership should be in the form given on page 127, and should be filed on a Shannon file, a consecutive number being endorsed on each. These should be entered upon application sheets (see page 130), with columns giving the number of application, the machine number of the form (see below), name, address, and occupation of the applicant, the entrance fee or weekly total of entrance fees, the folio of the minute book where the application was accepted by the committee, or the initials of the secretary. A column should be also provided for entrance fees returned, in cases where the application is refused. These sheets should be kept by the share office, though the entrance fees should be accounted for by the cash office, a special line in the summary cash book being provided for this class of receipt. (See "Co-operative Book-keeping," page 238).* Though it is often assumed that the entrance fee is in effect the payment for a copy of rules and credited to expenses account, yet as it is returnable if the application is refused, it is better treated as capital income and not revenue income,† and added to the Reserve Fund. As applications for membership should be made as easy as possible, every shop should be enabled to deal with applicants, and should be provided with a book, machine numbered, with a counterfoil, showing at a glance the shop from which the application was made. Shopmen should be encouraged to emulation by their new members being noted, and this method will be found to be an incentive to it, the share office also being relieved from a portion of work which, though undertaken by the shopman, will encourage his trade. The secretary's duties are similar to those referred to in the previous chapter, as to placing the same before the committee. Beyond the application for membership, no allotment of shares is needed, nor any register of shares, as withdrawable shares have no registered number. The register of members will be kept in the manner set forth in the previous chapter,‡ a statement of membership

* See also page 443. † See page 71. ‡ See pages 92 and 101.

made up for publication at the end of the quarter, as given on page 131, and which should be printed in the committee's report on each balance sheet. As each application represents an entrance fee, these are easily accounted for, and the secretary must note that an ordinary letter, setting forth that his application is accepted or refused, must be sent to every applicant within seven days after his application is dealt with by the committee (Rule 13), though the same power of withdrawal of application prior to the notice being posted applies as set forth on page 91. The secretary should see that the member's name, address, and occupation are entered upon the card allotted to him in the register of members, giving the folio of the share ledger, which is also the number of the folder of the vertical file allotted to him.

The Share Pass Book and Admission Card.

Where there are withdrawable shares no share certificates are required, as they are not workable in practice. With the notice of acceptance of application should be sent a share pass book, which should be ruled and entered on the same lines as the share ledger account.* The pass book should be endorsed with the particulars contained in the register of members, and should be accompanied by an admission card. (See page 131.) The latter should bear the name of the society, the name, address, and share number of the member, the date of the admission to membership, and a statement as to the method in which his instalments upon his £1 share must be paid; also the date when, according to such method, his £1 share should be standing in the books as paid-up. This card should be produced at every meeting of the society, and in cases where such date has gone by, the card should be signed by the secretary as being in order as to full payment, before he can exercise the right to vote at such meeting. The share office should be supplied with a cabinet, in the partitions of which the pass books can be inserted upright in fifties, the contents of each partition

* See pages 133 and 134.

being identified by a label indicating the numbers of the books contained in it. No transaction, either of contribution or withdrawal, should be made without the pass book being produced by the member; and though the cash transactions are not dealt with by the share office, but by the cash office, a visit to the share clerk should be essential in each case. Where the pass book is in the partition, such times being during the balancing and examination by the auditors and the payment of dividend, the pass book should be obtained from the partition and produced to the member applying.

The Share Ledger.

The share ledger will be in the form given on page 377 of "Co-operative Book-keeping," separate columns being provided for contributions, withdrawals, interest and dividend transferred to share account, and fines and forfeitures; an outside column also being reserved for the entry of the present claim after each transaction. It may be on the loose-leaf plan,* a completed page being transferred to the folder of such member in the vertical file and a new page substituted. Where a member withdraws from membership, the page should be endorsed accordingly, the minute book folio of the resolution allowing the member to make a total withdrawal being given, and the page, *accompanied by the cancelled pass book*, transferred to the folder. No total withdrawal should be allowed without the production and examination of the pass book, which should always be placed before the committee and cancelled by them. All entries into the ledger should be made by the share office, who will find that to assist analysis for balancing purposes, the use of different coloured inks (a change being made each quarter) will prove useful.† Every time a pass book is produced, it should be examined with the ledger, the examining clerk initialling

* See pages 368 and 384.

† Another useful method is by means of a rubber stamp date to denote the item for the quarter's interest, thus earmarking the quarter's transactions.

opposite the entry in the account examined. A division of numbers into separate ledgers will assist in the analytical balancing, as well as distributing the work, each share clerk being responsible for his own ledger, and such clerk will be responsible for the vertical file relating to the members whose numbers his allotted ledger covers.*

Share Contributions and Withdrawals.

In distributive societies every facility should be given for the contribution and withdrawal of moneys on share account. The committee will arrange fixed hours for the same, and give public notice thereof accordingly. It has been also found advisable to close the share account a few days before the end of the balancing period, and consequently the receipts and payments thereon, not only to reduce the time required for the balancing and compilation of the balance sheet, so that it may be in the hands of members some time prior to the general business meeting, but also to give a clear uninterrupted field for the share office to complete its work. Contributions and withdrawals should not be handled by the share office but by the cash office, but no cash transactions should be allowed until after a visit to the share clerk is made, and an authority to deposit or withdraw obtained. The duty of the cash office being simply to account for the cash and record the same,† it is not concerned with the question of notice or authority, or whether the pass book is entered up to date or not, and the plan suggested places each duty upon the right shoulders, as well as minimises the possibility of fraud.

By this plan, the member who wishes to make a contribution to his share account presents his pass book at the counter of the share office and declares the amount he wishes to remit. The clerk enters on a machine numbered contribution authority (see page 132) the share number and amount, examines the ledger account, and enters the pass book to date. The authority and the pass book are then handed to the

* See also "Co-operative Book-keeping," page 221 *et seq.*
† See page 427.

member, who proceeds to the cash counter to make the payment, the cashier making the entry in the pass book, initialling the same, and affixing a stamp if £2 or upwards. He enters the amount also upon his contribution sheet,* and places the authority form on a spike file on the counter.

When a member wishes to make a withdrawal, he produces his pass book, which is similarly examined and entered up to date by the share clerk. With his pass book a withdrawal authority, similarly machine numbered, is handed to him, the amount to be withdrawn, share number, and present claim having been entered thereon by the share clerk, the member signing the same and affixing a 1d. stamp if necessary. The withdrawal authority is not given unless the member himself produces his pass book, or, if by some other person, a written proxy is produced (see page 132), the signature, whether on the withdrawal authority or the proxy, *being compared with the signature on the application form in the folder of the vertical file allotted to the member.*† The notice of withdrawal as per Rule 55 should also be examined, even though the society pays in advance of notices, for in these cases also it is necessary that written notices should be given.‡ The member then produces to the cash office the pass book and withdrawal authority, and cash exchanged for the latter, the cashier entering the amount in the pass book and upon his withdrawals sheet.§

This plan is the one adopted by trustee savings banks, and proves very effective in practice. To the share office the plan is invaluable in the proving of the share ledgers. The deposit and withdrawal authorities are returned to the share office the next day, arranged in order of share numbers, and distributed to the share clerks according to the share numbers of their respective ledgers. The contribution and withdrawal forms are then filed by each clerk upon a Shannon file in share number order, one file for contributions and one for withdrawals. They are then entered upon analysis sheets

* See page 429. † Or attached to the card in the card index.
‡ See page 122. § See page 453.

(see page 133), and the total of the column at the end of the week will agree with the totals of the contributions and withdrawals sheets as made up by the cash office, according to which the cash was balanced. The posting of the ledgers is thus facilitated, and the cross total of the analysis sheets at the end of the quarter proved by the cross total of the weekly totals, gives the amount of contributions (or withdrawals) on each member's account, ready for the summary of members' claims.* It thus enables the share clerks not only to prove their own ledgers, but also allocates any errors in "fifties."

It is inadvisable to allow a shop manager to pay withdrawals on share account, as he has only the pass book to guide him as to the amount the member has to credit, and as he is unable to examine the share ledger, such pass book is not a satisfactory guide. Though every facility should be given for contributions, the fact that dishonest shop managers who receive contributions have opportunities of appropriating the same without accounting for them has compelled many societies to effect all such transactions through the office, though even this militates against investment where the branches are at a distance from the office.

Notices of Withdrawal.

In order to guard against a run upon the funds of the society, Rule 55 stipulates that notice of withdrawal shall be required, but, as already stated, societies usually pay on demand and in advance of notice. The notices required by the rule are one week for any sum up to £2, two weeks for any sum exceeding £2 but not more than £5, and three weeks for any sum exceeding £5 and not more than £10; an additional week's notice being required for each additional sum of £5 or fraction thereof. The share office should note that the withdrawal required does not disturb the minimum number of shares (usually one) required to be held by the

* See page 123.

member. The member should also note that a withdrawal which leaves a share partly paid up does not relieve such share from being called up in the case of liquidation, but such a share is free from forfeiture or fine. *Unless the committee by minute consent to increase the amount*, not more than a tenth of the withdrawable capital paid up on the 1st of January each year shall be withdrawn during the year; and the right of withdrawal (as mentioned above) may be suspended altogether by resolution of the committee, but unless it be confirmed by the next general meeting, whether ordinary or special, such suspension ceases (Rule 55).

The Share Summary.

The form of share summary required to prove the share account is found in "Co-operative Book-keeping" (Appendix D). This summary is better on sheets than in book form, as each share ledger clerk can make out the sheets relating to his own ledger and prove the same independently. The contributions and withdrawals are entered from the cross totals of the analysis sheets (see page 133), and the present claim entered from the last entry in the ledger accounts. These summary sheets are tabulated in a grand summary, and the total contributions and withdrawals will be found to agree with the amounts as per summary cash book kept by the cash office, and the final totals will be the share adjustment account.* Each sheet will prove separately, and an error is easily located.

Share Interest.

A column is provided by the side of the present claim for the interest, and another for the checks or purchases upon which dividend is payable. The latter will be supplied by the check office (by means of check warrants on which the share number and amount of purchase are entered), and tested in total after entry. The interest will now have to be calculated. Interest is only payable if profits are made, but as it is a first charge before dividend is payable,

* See "Co-operative Book-keeping," pages 227 and 238.

and as it is usual to charge the same to expenses account, for the purpose of getting an accurate charge for capital used in each department of the society, it is calculated at the required rate and embodied in the summary before the balance disposable is determined. It is fixed by Rule 127 at a rate not exceeding 5 per cent per annum, but at such figure as the ordinary business meetings from time to time direct. It must not be calculated on or for any fraction of £1 or of a calendar month (Rule 39). Societies often also include in their rules a stipulation to the effect that differential rates must obtain according to the ratio of their purchases to their share capital. This, however, is unfair, as purchasing power is not in direct ratio to investing power, and the best plan is to exclude interest altogether unless a minimum amount of trade with the society has been done, so as to guarantee that the member is contributing to some extent to the trade that is creating for him the interest or wages for the services of his investment.

Dividend on Purchases.

When the balance disposable is ascertained and the rate of dividend declared, the share office will enter the calculations of the same on the share summary sheets, a column being provided for that purpose headed "dividend payable." Some societies only declare upon even pounds, as it is assumed to have the effect of causing the members to increase their purchases to make up the last pound before the end of the quarter, thus reducing the stocks to a minimum; yet, in spite of this, it is advisable to pay dividend on the exact amount of purchases, as not only is it fairer to pay upon the purchases which have contributed to the results, but it may be urged that an anxiety to get dividend upon as much as possible will also effect the same result. It should be remembered that the society has power to retain such amount of interest and dividend payable which is required to pay up arrears unpaid on part-paid shares, but this rule is usually only acted upon when the one share, which a

member must hold, is not paid up. In these cases the required amount is entered at once into the "transferred" column, as a guide to the dividend payers.

Payment of Dividend.

Dividend should be paid on special days fixed by the committee, and where the members are numerous, those with certain series of share numbers should be required to come on separate days, so as to minimise the posting and manipulation of the summary sheets. A great difficulty usually arises in dividend paying on account of the amount of cash turned over and the large number of entries to be made, and it often happens that discrepancies of cash in balancing occur, unless great care is exercised. The payment of dividend should be done in a systematic way, the share office and the cash office co-operating for the purpose. A special cheque should be cashed for the dividend, with an estimated proportion of each class of coin required, and a daily balance taken from each dividend cashier.*

Prior to the dividend days, the check office will have prepared the check warrants,† as mentioned above; the share office will have entered upon these the interest and dividend payable, showing any deduction for shares unpaid; and they will have been distributed to the shops in exchange for the pass books, which the share office will have compared, entered up to date, submitted to the auditors, and placed in the partitions of the cabinet previously referred to.

On the dividend day the member will present himself to the cashier to whom his number has been allotted, presenting his dividend warrant signed, stamped,‡ and receipted, or the signature may be given in a column of the share summary sheets provided for the purpose. In exchange for the warrant the member will receive the dividend, the amount of which will be entered in the pass-book,§ on the left hand side which is reserved for these particulars.

* See page 429. The Wages Paying Machine might be found useful in this connection (see page 464).

† See page 386. ‡ See page 444. § See page 134.

It should be a rule that, where dividend and interest payable is paid on dividend day, the whole should be paid. This rule obtains in all joint-stock companies, and from all points of view should be rigidly adhered to by societies, subject to the deductions already provided for on the share warrants. The share office will now enter into the column headed "transferred" the unpaid amounts, and the totals of the withdrawn and transferred of each summary sheet will agree with the total of the column headed "interest and dividend payable." The transferred amounts should then be posted in detail to the share ledgers, as provided in the rules, and the remaining pass books entered up accordingly.

APPENDIX TO CHAPTER VIII.

APPLICATION FOR MEMBERSHIP.

——

A1.

Name .....

Address .....

.....

Occupation .....

Date .....19 .

Entrance fee received, copy of rules tendered, and notice of power of nomination given by me this day.

....

Shop Manager.

Book A. Form No. 1.

THE PLAYFAIR CO-OPERATIVE SOCIETY LIMITED.

Office No.

.....

Registered Office,
1, Market Street,
Playfair.

APPLICATION FOR MEMBERSHIP.

I, the undersigned, hereby apply for ONE WITHDRAWABLE SHARE* in the above-named Society, in respect of which I agree to make the payments required by the registered rules of the Society, and otherwise to be bound thereby.

Witness:

.....

Shop Manager.

Signature of Member (in full).....

Address.....

Occupation .....

NOTE.—The applicant (if accepted by the Committee) has the power of nomination, which may be exercised on application at the Registered Office of the Society.

* If more than one share is the minimum holding, the form should be amended accordingly.

THE PLAYFAIR CO-OPERATIVE SOCIETY LIMITED.

REGISTERED OFFICE,

1, MARKET STREET, PLAYFAIR.

Date,.....19.....

Office No. .....

APPLICATION FOR WITHDRAWAL FROM MEMBERSHIP.

I, the undersigned, a member of the above society, numbered...., hereby apply to be struck off the register of members, and I request you to pay me subject to the rules relating to total withdrawals, the amount standing to my credit in the share ledger of the society.

Signature of Member .....

Address .....

NOTE.—This form should be accompanied by the pass book, which will be cancelled and retained by the society.

PARTICULARS TO BE FILLED IN BY THE SECRETARY.

Date of committee meeting ..... Minute Book Folio.....

Date of Payment..... Amount.....

.....*Initials of Secretary.*

MICRO-TELEPHONES.

DEPARTMENTAL

Wall Pattern

Desk Pattern

Kindly lent by the National Telephone Co. Ltd.

PLATE IX.

To face page 128

THE PLAYFAIR CO-OPERATIVE SOCIETY LIMITED.

REGISTERED OFFICE,

1, MARKET STREET, PLAYFAIR.

Date.....19.....

Office No.
.....

NOTICE OF WITHDRAWAL.

In accordance with Rule 55, I hereby apply for the withdrawal of a sum not exceeding.....pounds, from my share account numbered..... ; and subject to the rules relating to the holding of a minimum number of shares.

Signature of Member .....

Address .....

.....

NOTICE REQUIRED.

Any sum up to £2.....One week.
Above £2 ,, £5.....Two weeks.
,, £5 ,, £10.....Three weeks.

an additional week's notice for each additional sum of £5 or fraction thereof.

APPLICATION SHEETS.

Progressive No. of Application.	Book Letter and Form No.	Department.	Name of Applicant.	Address.	Occupation.	Entrance Fees Paid.			Cash Book Folio.	Minute Book Folio.	Entrance Fees Returned.			Cash Book Folio.
						£	s.	d.			£	s.	d.	

STATEMENT OF MEMBERSHIP.

	No.	Average Share Capital per Member.	Average Sales per Member.
Number of Members last period.	826	£19 3s. 4d.	
Admitted since	28		
	854		
Withdrawn from Membership .	8		
Present number of Members *.	846	£20 0s. 2d.	

* Corresponding with the number of cards in Register of Members (see page 90) and the number of leaves in Share Ledger (see page 91).

THE PLAYFAIR CO-OPERATIVE SOCIETY LIMITED.

Registered Office: 1, MARKET ST., PLAYFAIR.

ADMISSION CARD

To be produced at every meeting, and for voting at such meeting.

Member's Name .....

Address .....

Date of Admission .....19....

Member's No

Date when minimum number of shares must be paid up. [SEE OVER.]

.....19....

Signature in confirmation thereof,

.....

.....*Secretary.*

The back of the card will give the rule relating to, and manner of payment of amounts owing on, shares taken up.

THE PLAYFAIR CO-OPERATIVE SOCIETY LIMITED.

REGISTERED OFFICE,
1, MARKET STREET, PLAYFAIR.

Office No.
.....

Date.....19..

WITHDRAWAL PROXY.

I hereby authorise.....
to produce my Pass Book and withdraw the sum of £.....
on my behalf from my Share Account in the above-named Society,
according to the notice of withdrawal given by me, and dated .....

Signature of Member.....

SHARE CONTRIBUTION AUTHORITY.

Date.....19 2628

Share No.	Amount.	Initials.

SHARE WITHDRAWAL AUTHORITY.

Date.....19 3829

Share No.	Withdrawal.	New Present Claim.	Initials.

RECEIVED the sum of.....pounds
.....shillings and.....pence.

Signature of Member or Proxy.....

SHARE CONTRIBUTIONS (OR WITHDRAWALS) ANALYSIS SHEETS.

Member's No.	* 1	2	3	4	5	6	7	8	9	10	11	12	13	14	Quarterly Totals. £	s.	d.
1																	
2																	
3																	
4																	
5																	
6																	
7																	
8																	
9																	
10																	
11																	
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38																	
39																	
40																	
41																	
42																	
43																	
44																	
45																	
46																	
47																	
48																	
49																	
50																	
Weekly Totals.																	

* The date of each week's balancing should be inserted in the headings.

Left hand side of book.

SHARE

THE PLAYFAIR CO-OPERATIVE

Registered Office :—
1, Market Street, Playfair.

Name.....

DISPOSITION OF PROFIT.

Date.	Purchases.	Dividend.	Interest.	Dividend and Interest Paid.

It will be noted that these columns correspond

PASS BOOK. Right hand side of book.

SOCIETY LIMITED.

Member's No.....

SHARE CAPITAL ACCOUNT.

Cr. Transferred.	*Cr.* Contributions.	*Dr.* Withdrawals.	*Dr.* Fines and Forfeitures.	Present Claim.

with the rulings of the Share Summary (see page 123).

CHAPTER IX.

The Share Office—Loans and Deposits.

Loans.

Under the Industrial and Provident Societies Act, societies may only receive loans under certain conditions. The receiving of loans under improper conditions lays a society open to the charge of carrying on the business of banking, to which certain penalties are attached (see page 8), and gives such loanholders no claim upon the assets in the case of liquidation, until all other claims have been satisfied.

The conditions under which loans can be accepted are these :—

(1) Provision must be made in the rules of the society for obtaining loans ;

(2) The total amount up to which money may be borrowed by the society must be fixed in the rules ;

(3) The limit fixed in the rules must never be exceeded ;

(4) Security must be given to each loanholder in manner required in the rules, whether by agreement, bond, mortgage, or other form of security, as the rules provide.*

A loan account must never be used as a deposit account, *i.e.*, withdrawable at call. In all cases a scale of notice must be fixed and set forth in the agreement between the society and the lender. If the society receives loans payable at call, it is in effect carrying on a banking business, which is illegal.†

Rule 30 of the model rules of the Co-operative Union allows a society to take loans from any person on the security of bonds or agreements, or of legal or equitable mortgages upon property, but the total loan capital issued

* If loan capital is illegally issued, or under improper conditions or documents, the claims of loanholders do not rank until all the shareholders have been satisfied. In other words, such loanholders are deferred creditors. † "Notes of Importance for the use of Committees and Officials," by J. C. Gray.

must not exceed the nominal capital of the society (*i.e.*, the shares taken up, paid or unpaid), or such other limit of amount as may be fixed in the special rules. The rate of interest must not exceed 6 per cent per annum, unless a special general meeting authorise a higher rate.

Agreements.

Societies seldom borrow upon mortgage* except to the bank in security for an overdraft, and when other loans are required they are usually secured by agreement† and not by bond. Withdrawal of the loan or part of the loan should be by written notice, and the term of notice fixed by the society must have expired before payment can be demanded, though the society may pay in advance of notice. The usual notice is two weeks where the amount withdrawn is £5; exceeding £5 and not over £10, four weeks; and an additional four weeks' notice for every further sum of £10 or fraction thereof. A pass book should be given to each loanholder, with the regulations fixed by the committee as to the working of the loan department printed therein, and should also contain the loan agreement,‡ signed by two members of the committee in the name of the society, and also by the lender over a 6d. agreement stamp. On total repayment of the loan, the pass book must be given up to the society, and the secretary will cancel and file it as in the case of cancelled share pass books, after producing the same to the committee in the ordinary course. The share office may keep a loose-leaf ledger§ for loans, giving full particulars of the date the agreement was executed, and the folio of the minute book in which the resolution appears giving to two of the committee the necessary authority to sign the agreement on behalf of the society. The loan ledger should be summarised on sheets in the manner that the share ledger is summarised. (See pages 144 and 145.) Columns should be provided for the claim last period, interest for the current period, contributions, withdrawals, and present claim, proving the

* See page 469. † If the rules permit. ‡ See pages 143 and 144.
§ See page 384.

various cash columns with the separate entries of loans in the summary cash book. As loan interest is payable whether profits are made or not, it will be noted that the interest forms part of the present claim for entry among the liabilities in the balance sheet.

Deposits.

It should be understood that there is a great distinction between loans and deposits. The latter are defined in the Act (section 19) to be the receiving of not more than 10s. in any one payment, nor more than £20 from any one depositor, repayable on not less than two days' clear notice. The taking of such deposits is not included in the term "banking," but no society which takes such deposits can make any payment of withdrawable capital while any claim due on account of any such deposit is unsatisfied; that is to say that liquidated assets must go to the payment of such claims before they are applied to the payment of share capital if there is a run upon the funds of the society. The two methods by which societies receive deposits are by means of penny banks and clubs or sales deposits. No deposits can be received unless authority is given in the rules to do so, and the rules must state under what conditions, upon what security, and to what limit of amount. (See section 10, Schedule II., and Rule 31.)

Savings Banks.

The adoption of penny banks by societies has had the effect of creating the habit of thrift among the children of members, as well as interesting them in the affairs of the society. Penny bank business is carried on by the office during business hours, special visits being made to the branches on certain evenings of the week at stated hours. The plan adopted in the case of share contributions and withdrawals should obtain in the case of the penny banks, no amount being received or paid by the cashier except by authority from the share clerk, who has compared the ledger with the pass book. Where the penny bank is held at the branches, two clerks should be in attendance, one

from the share office with the branch ledger, and the other from the cash office in charge of the cash, who will account to the cashier for his cash balance on his return, and the same procedure as in the office should be followed.

The Savings Bank Ledger and Pass Book.

The ledgers should be on the pattern of which ruling will be found on page 315 of "Co-operative Book-keeping." The weekly total of each column should prove with the totals of the contributions and withdrawals sheets of the cash office, without the aid of analysis sheets as in the case of shares. The cross totals at the quarter end should agree in total with the cross total of the weekly totals, contributions being entered in black and withdrawals in red. The interest should be calculated on the balances to commence only, after deducting withdrawals, but the contributions prior to the withdrawals being set off against such withdrawals. The interest becomes an integral part of the "present claim" at the close of the balancing period, as it is a charge against the assets, whether profit is made or not. The "Simplex" ledger is bound in a manner that allows one writing of the name and address to cover four quarters, though the ledger may be issued in sheet form, with only the printed numbers opposite each account, and by means of an alphabetical or numerical card index* the writing-in of the names each period may be discarded altogether. No depositor should be allowed to withdraw below 1s., except on total withdrawal, in which case the usual procedure with regard to the retention of the pass book, the abstract of the card from the index, the submission to the committee or penny bank sub-committee, and the placing of the same into a folder of a vertical file should take place. The secretary should see that not more than 10s. has been taken in any one deposit, and that not more than £20 stands to the credit of any one depositor. The closing of the penny bank for at least two days prior to the balancing date gives the share office the

* Page 144.

opportunity of completing and proving the ledgers, as well as periodically emphasising the fact that deposits are not repayable on demand but upon not less than two days' notice, according to the provisions of the Act. The pass book should be on the plan of the share pass book, with columns for the date, deposits, withdrawals, interest, and balance, the new "present claim" being inserted at each transaction.

Sales Deposits.

Deposits on sales account are generally known by the name of clubs, a title which we believe originated in connection with a method adopted by licensed houses to provide for their customers the usual Christmas fare. The system was originally introduced into the co-operative movement to encourage members in the thrifty habit of anticipating, by the payment of weekly instalments, the requirement of articles demanding a comparatively large outlay, and for this reason the special clause in the Act was provided. By the use of the word "club" instead of "sales deposits," societies have failed to recognise that amounts received on club account are "deposits" as described by the Act, and are governed by the provisions relating to the same, and should be entered as such in the annual return to the Registrar of Friendly Societies.* The chief classes of goods for which clubs are organised are furniture, drapery, coal sold in tons, and other kinds of goods which are of a character to cover a long period of consumption or wear. These commodities, unlike foodstuffs, are not generally of a nature to allow of their purchase in small quantities. Unfortunately, the club has developed into a specialised method of giving credit, and even the speculative or gambling idea has been introduced by means of what is known as a "draw." To the latter plan we cannot subscribe, and therefore hesitate in this treatise to detail its operation—a course which might be interpreted as bearing the sanction of the

* See Chapter XXXII.

Co-operative Union. Whether the method of receiving sales deposits is strictly according to the principle enunciated above, or goods are allowed in advance of payments, the manner of record is the same, and will be considered in the chapter appropriated to credit trading.*

Banking by Societies.

On account of the restrictions placed by the Industrial and Provident Societies Act upon the business of banking, distributive societies are unable to include such business in their objects as defined in the rules; and as withdrawable capital serves all the purposes of banking so far as the easy deposit and withdrawal of members' savings are concerned, it is doubtful whether banking facilities are required by the society to increase its capital, or even free from danger in practice. Banking facilities give the society power to negotiate and discount bills of exchange† (that is, paper securities redeemable by the acceptor at a fixed future date or on demand), advance money without restriction upon security or otherwise, and honour cheques payable on demand, drawn upon the depositor's account, payable to the bearer, or the order of the drawee; also to receive deposits of any amount whether the rules give the power to receive the same on loan or not, without loan bond or agreement, and to repay the same upon demand and without notice. (See page 136.) The society which carries on this business is required to have all its capital transferable, and the business of banking must be stated in the objects set forth in the registered rules. (Sections 4 and 19 and Schedule II.) It is also required on the first Mondays of February and August in each year to make out and keep conspicuously hung up in its registered office, and every other office or place of business belonging to it, where the business of banking is carried on, a statement in the form in the third Schedule of the Act (see page 142) or as near thereto as the circumstances permit.

* See page 393. † See page 409.

APPENDIX TO CHAPTER IX.

FORM OF STATEMENT TO BE MADE OUT BY A SOCIETY CARRYING ON THE BUSINESS OF BANKING.

See the Act, Schedule III.

1. Capital of the society :—

(*a*) Nominal amount of each share ;

(*b*) Number of shares issued ;

(*c*) Amount paid up on shares.

2. Liabilities of the society on the first day of January (or July) last previous :—

(*a*) On judgments ;

(*b*) On speciality ;

(*c*) On notes or bills ;

(*d*) On simple contract ;

(*e*) On estimated liabilities.

3. Assets of the society on the same date :—

(*a*) Government or other securities (stating them) ;

(*b*) Bills of exchange and promissory notes ;

(*c*) Cash at the bankers ;

(*d*) Other securities.

THE PLAYFAIR CO-OPERATIVE SOCIETY LIMITED.

LOAN AGREEMENT. *No.*.....

This agreement, made the.....day of..... between the above-named society of the one part, herein called the society, and.....of....., herein called the lender, which name shall include the executors, administrators, or assigns of such lender, witnesses as follows .—

1. In consideration of the moneys to be paid to the society by the lender from time to time, the society agrees with the lender—

(1) On any demand of the lender made in accordance with the regulations, forms, and scale of notice contained in this loan book, to pay the lender the sum so demanded, not exceeding the balance appearing to be due upon the account contained in such book, or in any like book similarly numbered and signed issued in replacement thereof ;

(2) To pay interest upon the balance of principal money appearing to be due to the lender on such account, after the rate and in the manner mentioned in such regulations ;

(3) In the event of any default being made in any such payment, to pay to the lender on demand the balance then due upon the said account for principal and interest, with all costs or expenses whatsoever which the lender may be put to by reason of such default.

2. In consideration of the above agreements, the lender agrees with the society to be bound by all the regulations contained in the loan book now issued.

In witness whereof the undersigned members of the committee of management of the society, in its name and by its authority, and the ender, have set their hands the year and day first aforesaid.

.....
.....
.....
} Members of the Committee.

6D.

STAMP.

..... Lender.

Witness to the above signatures,

.....Secretary.

REGULATIONS OF LOAN DEPARTMENT.

1. Loans may be received either from members or non-members.

2. Each lender shall pay sixpence for a pass book, containing a printed loan agreement, signed by two members of the committee in the name of the society, and by the lender, and having a 6d. agreement stamp, also containing a printed copy of these regulations, in which shall be entered all loans and repayments.

3. Not more than £ shall be received from any lender in any year, commencing the day of each and no account shall exceed £ exclusive of interest.

4. A receipt stamp shall be affixed to all receipts or payments of £2 and upwards, in the case of receipts at the cost of the society, and in that of payments of the lender.

5. Interest at the rate of £ per annum shall be paid (half-yearly or quarterly) on such days as the general meetings of the society fix from time to time, on each sum of £1 each calendar month in each (half year or quarter) during which it has continued in account.

6. Notice shall be given of all withdrawals, according to the scale hereto annexed. All sums so withdrawn shall be payable in the week succeeding the termination of the notice; but the committee, at their discretion, may pay any sum of which notice of withdrawal has been given at any time after the receipt of such notice.

7. All notices shall be in the required form, and shall be made or entered in a book kept by the secretary, as the committee direct.

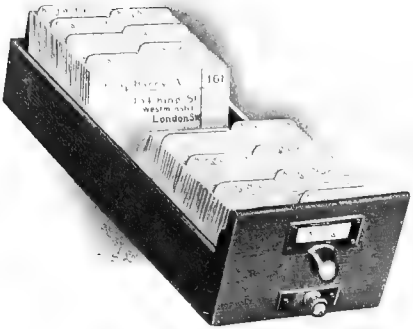
8. No payment shall be received or made without the production of the loan book. Lenders must attend personally, if possible, when any money is to be withdrawn.

9. If a loan book is filled with entries it shall be delivered to the secretary of the society, that the balance may be transferred to another book, for which the lender shall pay sixpence.

10. The society shall be in no way affected by any writing or mark made in any loan book, except it is made by the secretary of the society or some person acting under his authority.

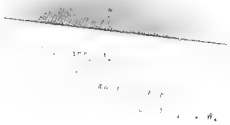
11. The loan book must be preserved intact, and if lost, torn, or cut, shall be replaced at the cost of the lender; and when an account is closed shall be given up to the society.

CARD INDEXING.

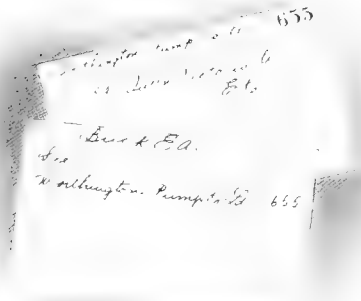


ALPHABETICAL CARD INDEX

Gives instant reference to any correspondent filed by the number of the folder in the vertical file.



Card from above Index showing perforation for locking arrangement.



Cross reference cards ensure that any letter may be instantly located, no matter under what subject or correspondent it is filed.

PLATE X

Kindly lent by the Library Bureau Ltd

To face page 144

LOAN LEDGER (OR PASS BOOK).

11 *Name*..... *Address*.....

Date..... *Minute Book Folio*..... *Interest*....%.

Date.	Interest.			Advances.			Repayments.			Present Claim.		
	£	s.	d.	£	s	d.	£	s.	d.	£	s.	d.

SUMMARY OF LOANS.

No.	Name.	Balance last Date.			Deposits.			Interest.			Total.			Withdrawals.			Balance this Date.		
		£	s.	d.	£	s.	d.	£	s.	d.	£	s.	d.	£	s.	d.	£	s.	d.

CHAPTER X.

Contracts with Societies—Generally and Particularly.*

What is a Contract?

The exchange of money and money's worth is governed by the common law relating to contracts, which has been interpreted and amended by statute from time to time. A contract has been defined as a deliberate engagement entered into between competent parties to do or abstain from doing some particular act. Contracts are of two kinds—(*a*) specialties, and (*b*) simple or parol contracts. There must be at least two parties to every contract, and the persons must be *ad idem;* that is to say, they must be of the same mind as to the subject matter of the engagement. For instance, if the agreement was for the hire of a field, and a different field was understood by each party, there is no contract. When there is no contract, no right of action arises. There are four essential features to every contract—(*a*) the offer, (*b*) the acceptance, (*c*) the consideration, and (*d*) a mutual assent to the terms. Any or all of these may be express or implied by the speech or conduct of the parties, and need not be in writing, except in special cases specified by statute with which we will deal as they arise. Agreements may be void, unenforceable, or voidable. Void agreements are void *ab initio*,† that is to say, they do not alter the legal relationship of the parties, and include agreements in their nature impossible to perform, and acts which are forbidden expressly

* A secretary is often misguided through lack of knowledge concerning the laws governing contracts, which is at the root of all business transactions. This chapter is intended only as a *résumé* of the principal points. In these and all other matters where legal disputes arise, or where legal forms are required to be drawn up, he should requisition the services and advice of a solicitor.

† From the beginning.

or impliedly by statute, such as betting and gambling. Unenforceable agreements may in their subject matter be lawful between the parties in their relationship among themselves, or to third parties, but if disputed cannot be enforced by action, such as a lease of upwards of three years not entered into by deed ; and voidable agreements are subject to repudiation at the option of one of the parties, such as an agreement obtained by fraudulent misrepresentation. A contract may be terminated by the agreement itself, by its performance, by its breach, and by lapse of time. The lapse of time does not necessarily end the contract as such, but renders it unenforceable at law, and is determined by various statutes. By the Statute of Limitations (21 Jac. I., c. 16), all parol contracts are unenforceable by action after six years from the time when such action could have been commenced. After that time contracts or debts are termed *statute barred*, and can only be revived for a further period by part performance or part payment, or by an acknowledgment in writing. Contracts under seal are statute barred in twenty years (Civil Procedure Act, 1833), except that contracts to recover money secured by any legacy, judgment, mortgage, or lien, or otherwise charged on, or payable out of, any land, are statute barred in twelve years (Real Property Limitation Act, 1874). The right of action may be revived in these latter cases in the same way as in parol contracts.

The Offer and Acceptance.

An offer (or tender) may be made in various ways, and the distinction between an offer *per se* and a mere representation that the party concerned is open to consider offers depends upon the words used or other evidence produced. An offer may be made by public announcement. An advertisement by the Co-operative Wholesale Societies in the *Co-operative News*, such as this—" Have you given our tea a trial ? " would not be considered as an offer ; but such a phrase as " Buy our 2s. 6d. Ceylon Tea " might be construed by the Court as an offer to sell, and an order considered

as a sufficient acceptance to bind the contract. In such a case, the failure to supply is a breach of contract, subject to damages. An offer may be made in the open market. The exposure of goods during shop hours in a shop window or in the shop itself constitutes an offer, and the manager is bound to supply such goods if the purchaser denotes his willingness to accept them. A notice on the window, such as this "Strawberries," whether there is a stock of the same in the shop or not, is not merely a notice that strawberries are dealt in, but it is an offer to sell this class of fruit, and the shopman is bound to supply the same if asked for. The acceptance must be *definite* and *conclusive*, but the price need not be mentioned, in which case a fair price can be demanded, and obtained; but if a price list has been published, the sale is taken to be at such prices, whether the purchaser has seen the list or not. If a society places a lady's blouse upon the drapery counter, it has offered that blouse for sale, and a customer may not only show her acceptance by merely saying "I'll take this," but even by taking possession of the goods with the shopman's assent. The exposure of an article, or a sample of a class of article, in a saleroom, is an offer, and the statement of a manager, visiting the saleroom during business hours, such as this: "I'll take a gross," is an acceptance, and binds the contract. If the price is affixed to the article (or upon a price list, as stated above) the acceptance is at the price denoted. The offer must be accepted absolutely, and in the same terms as offered. If goods are quoted at 15s. 6d. and the purchaser states "I'll take a dozen at 12s. 6d." there is no acceptance; but if the seller says "When will you have delivery?" or any words implying an agreement as to the lesser amount, there is an acceptance of the *purchaser's* offer, and the contract is binding at the reduced price. An offer may be made verbally anywhere. If A meets B in the street, and says "I'll sell you my watch for £5," and B says "I'll take it," this is a contract enforceable at law; the evidence of the parties upon oath as to their

statements being sufficient for the Court to pronounce the contract binding, and give damages for breach of contract. An agreement is binding when the offer has been accepted, even though the parties agree to draw up the contract formally in writing; but if the verbal agreement has been definitely made subject to conditions to be agreed upon in writing, there is no contract until such conditions are accepted and the document drawn up. If the evidence of the contract is claimed to be in correspondence, the Court will require the production of the letters, to see whether their tenor implies actual agreement, or merely negotiation with a view to eventual agreement. The acceptance may be definite and absolute, in some cases, even though the party making the offer is not aware at the time of acceptance that such acceptance has taken place. Among such cases are the offer of a reward for services to be rendered, or the unconditional announcement by a railway company, by time-table or otherwise, that a train will leave a certain station for a certain destination at specified times; and damages may be claimed, if damage is suffered, for breach of contract, if its terms are not duly performed. An offer may be withdrawn at any time before it is accepted, but the withdrawal must reach the other party before acceptance. A contract is binding the moment the acceptance is posted or telegraphed, even though the letter or telegram may never reach its destination. A bid at an auction sale is an offer, and may be withdrawn or revoked before acceptance is signified by the fall of the hammer. An offer may be revoked automatically, such as by the fixing of a time limit to the offer (*e.g.*, "Last day of sale," or "Reply by return of post"), or even by natural causes, such as the death of the proposer or acceptor before acceptance. An acceptance of the terms may be tacit, if it is of a nature that the acceptor may reasonably be expected to be aware of the terms. The purchase of a railway ticket with the conditions of its purchase stated upon the back, such as the limitation of the period during which it is available, or the inability of the

holder to break his journey, may be a good contract. The question as to whether these conditions may be repudiated does not depend upon the general law governing contracts, but whether the conditions are lawfully imposed under statutory regulation, as the fares are fixed or approved by the Board of Trade. For this reason, railway companies give concessions on return fares, and on excursion tickets, in order to create a contract of a special nature. The sale of goods under a published price list may be also included under the head of contracts where there is a tacit acceptance of the terms, where no special terms are bargained for.

Consideration.

Consideration has been defined as "some right, interest, profit, or benefit accruing to the one party, or some forbearance, detriment, loss or responsibility given, suffered, or undertaken by the other." It is assumed in law that no one does anything for nothing, and consideration is therefore in effect the benefit gained by one party for his performance for the other of the accepted proposal, or subject matter of the contract. It may be *executed*, or *executory*. If I go to the store and buy goods for cash,* the consideration (in this case the payment) is executed. Both the society and I have each performed a transaction; the society—by the handing over the property in the goods (though not necessarily possession, for they might be delivered afterwards to me); and I, by the payment of the money. If, however, I have purchased the goods on credit, the consideration is executory, the money being payable at a future time. There must be consideration in every contract for it to be valid. The consideration must be *valuable*, on the principle of *ex nudo pacto non oritur actio* (from a naked agreement no suit arises): though it need not be *adequate*.† The exception is in the case of agreements under seal, probably upon the ground that the parties are *estopped* from denying the existence of

* A double transaction. See "Co-operative Book-keeping," page 42.

† Sir Wm. Anson. See, however, page 412.

valuable consideration in the contract.* Affection, gratitude, blood relationship,† sympathy, voluntary courtesy, are not valuable consideration. It should be remembered that payment of money is not necessary as consideration to a contract, unless under special statute, such as the Sale of Goods Act, 1893. The compromise of an action; the waiver of a claim honestly made (even though it could not be legally enforced); *bona-fide* inconvenience to be sustained or suffered; forbearance to sue; all these are good consideration. Moral obligations, promises by a person to do what he can be compelled to do, or services already rendered on which no contract is founded, are bad consideration.‡ The consideration must not be illegal; that is to say, whether by common law, or expressly or impliedly by statute. Unreasonable conditions in restraint of trade are illegal, such as a clause in an agreement which prevents a servant upon the termination of his engagement to enter into competition with his employers on terms which in the opinion of the Court are unreasonable to the individual, or detrimental to the public welfare. The compounding of a felony or other acts impeding justice are illegal consideration to a contract. So are obligations arising out of lotteries, wagers, betting of all kinds, or illegal stock transactions; they are unenforceable at law. The following are also included in illegal consideration; the promise to commit a crime or civil wrong, or an immoral or treasonable act; or to defraud the Revenue. Again, *even if the consideration of the contract is good*, but the servant, or even a committee-man, accepts a bribe, or other corrupt consideration forbidden by law, the society may repudiate the contract, or enforce the contract and proceed for damages against the giver of the bribe, without prejudice to criminal proceedings against both the giver and receiver of the bribe (Prevention of Corruption Act, 1906). The corrupt consideration need not be in money, but must be corrupt in its nature; and the Court will judge according to the facts of

* See page 154. † There are, however, certain exceptions in this case.
‡ Stevens' Mercantile Law.

the case. The whole matter hangs round the question whether it was secret in fact and corrupt in intention, irrespective of any effect it might have upon the mind of the receiver. In the case of illegal consideration to a contract, the principle of the law is *ex turpi causa non oritur actio* (out of a base action no suit arises). Where, however, the illegality is simply with respect to a charge purely for revenue purposes, such as a tobacco license, the contract may be good, but can only be enforced by law if the license has been taken out, or, in the absence of such license, the penalty has been paid. The same applies to a stamp required upon a document, which will not be accepted as evidence by the Court if unstamped, or insufficiently stamped, or if the penalty inflicted by law on account of the absence or insufficiency of the stamp has not been discharged. Unstamped documents are only accepted as evidence in a criminal prosecution.

Specialties.

All contracts made under seal are called specialties, and formerly were sub-divided into indentures and deeds. An indenture was known by its edges being indented, a deed having its pages cut square; but as there is now no legal distinction made between them, the two terms are used indiscriminately. Any contract may be made by deed, but certain contracts must be under seal to be enforceable at law. The deed or indenture must be written, sealed, and delivered. It is usual for them to be signed, but it is probably not necessary in law. The writing may be by hand, typewritten, or printed. A seal is a piece of wax, or wafer, which has been affixed to the document before execution, the person sealing the same, or signing opposite such seal, adopting it as his seal by touching it with his finger. Delivery is the handing over of the document, or publicly stating his intention to do so, in words such as "I deliver this as my deed" or "This is my act and deed." The statements in a deed are absolute and conclusive evidence against the parties (called *estoppel by deed*) who are estopped from

denying the truth of the same, or producing evidence in contradiction, unless fraud or duress can be proved, or the false statement is the result of a mistake, which in equity would be allowed; such as a contract to sell property in Furnace Street, when "Furness" Street was clearly intended by the parties at the time. In addition to contracts for which there is no valuable consideration (see page 151), contracts with corporations must be by deed (though there are many exceptions, on which we need not dwell here), and leases for a period *upwards of three years*. In a specialty the offer, acceptance, consideration, and mutual assent are usually set forth in the deed. Any contract may be made by deed if desired by the parties.

Simple or Parol Contracts.

This class includes all contracts not required to be entered into by deed, and may be written, signed, or unsigned, witnessed or unwitnessed, or by word of mouth or implied by the conduct of the parties. They are binding according to the evidence produced to or heard before the Court, the writing being simply the whole or part of the evidence of the contract. Certain simple contracts are not enforceable at law unless entered into in writing. Such are bills of exchange and promissory notes* (Bills of Exchange Act, 1882), and contracts of marine insurance (54 and 55 Vict., c. 39). An acknowledgment to take a debt out of the effect of the Statute of Limitations (see page 148) must be in writing; also a transfer of shares must be in writing to be legal, and where they are the shares of a banking concern, must set forth the registered number of the shares transferred as stated in the books of the company (Leeman's Act). By the Statute of Frauds (29 Charles II., c. 3), the following contracts must also be in writing: –Dealings in land, tenements, or hereditaments†; an agreement of guarantee or surety (*i.e.*, a promise to answer for the debt, default, or miscarriage

* See page 409.

† Usually by deed, to estop the parties from denying the statements set forth, or bringing other evidence to vary its terms.

of another); *or an agreement not to be performed within the space of one year.* By the Sale of Goods Act, 1893, a contract for the sale of goods of the value of *ten pounds or upwards* shall not be enforceable by action, unless the buyer shall *accept* the goods so sold, and actually *receive* the same,* or give something in earnest to bind the contract, or in part payment, or *unless some note or memorandum in writing of the contract be made and signed by the party to be charged or his agent in that behalf.* It has been held by the Court that a statement of the consideration must also be included in the writing. Where the signed papers are incomplete to fulfil the requirements of the statute, parol evidence (that is, the evidence of the acts or speech of the parties) will not be allowed to complete the omissions in order to make the contract binding; but where the contract *per se* is binding, oral evidence will be accepted by the Court to prove the identification of the goods, documents, references, and subject matter of the contract.

Capacity to Contract.

Every person is assumed in law to be competent to make contracts, until incapacity is proved. To this extent contracts are only voidable on the part of the person incapacitated. An infant or minor (a person under twenty-one years of age) cannot, generally speaking, contract except for necessaries, but he may ratify the contract either expressly or impliedly on reaching his majority. Contracts for apprenticeship or service, however, are good against him, if reasonable and for his benefit; and in the case of contracts for necessaries, such as food, clothing, &c., they may be enforced if the Court considers their price reasonable. Though he may avoid contracts himself, they cannot be repudiated by the other party; for instance, he can hold shares or other interest in a society as a member,† penny bank depositor, or loan-holder. If the society, however, sold to him goods other than necessaries, he might repudiate the claim for

* See page 165. † See, however, pages 72 and 75.

payment. A contract made by a woman before marriage is not chargeable against the husband, unless he has acquired property in right of his wife. (Married Women's Property Act, 1882.) A contract made with a married woman is by common law chargeable against the husband, unless she is a divorced woman, or judicially separated. The common law has been amended by the Married Women's Property Acts, 1882 and 1893, by which she can hold separate estate independently from her husband, and contract to the extent of her separate estate as if she were a *femme sole.* Such separate estate must have been acquired after January 1st, 1883, whether she was married before that date or not. Thus, she can hold shares or other interest in a society, but there is a measure of doubt whether the society can exercise a lien upon such shares (if any) for goods purchased on credit by her, as they are assumed to be her husband's purchases unless the goods are clearly represented to be in her own name; nor are her husband's debts chargeable against such separate estate. There is no remedy against a married woman personally, only against her separate estate, and to the extent of such separate estate. The only exception is in the case where she is trading apart from her husband, when she becomes subject to the ordinary liabilities of a trader, in which case only can she be made bankrupt. As a recent case has decided that savings out of household expenses are not separate estate, it is also doubtful whether dividend on the household purchases can be paid to her, or transferred to her share account. Contracts with drunken persons or lunatics are voidable according to the circumstances under which the contract was made, such as whether it was a contract for necessaries at a fair price. A registered society or company can contract just as an ordinary person. Where a contract between private persons must be made under seal the contract must be made under the society's or company's common seal,* under the authority of a resolution of the committee or directors. If the contract must be made in writing, it must

* See page 466.

be signed by a person under the authority of the society, either expressed or implied. If the contract may be made by parol only, it may be made, varied, or determined by parol by the agent or person acting under the express or implied authority of the society or company.* A bankrupt who is undischarged is liable to imprisonment if he obtains credit to the extent of £20 without informing the society that he is an undischarged bankrupt.

Rights, Duties, and Liabilities under a Contract.

One party to a contract has the right to have the contract performed, and the other is under the liability to perform it. If A sells a horse to B, B has the right to receive the horse, and A is under the liability to hand over possession; this being independent of A's right of being paid the price, and B's liability to tender the amount. Each is the ground of a separate action (or counter-claim) -the handing over the horse, and the payment of the money. The remedy of B against A for non-delivery is (*a*) specific performance or (*b*) damages; and the remedy of A against B is a judgment for compulsory payment. It is not sufficient for A to wait until B asks for the horse, he must proceed on his own initiative to perform the contract; nor is it necessary for B to wait until A demands payment, he must seek A and offer the money. There are certain judgments and statutory regulations with regard to the tendering of the payment reserved in a contract, which will be dealt with later in the chapter relating to the cash office.† Of the remedies for breach of contract, or non-performance in whole or in part, specific performance is only ordered by the Court if damages are insufficient compensation. If there is a breach of the whole contract, the other party may avoid the contract and make a claim for damages, either by an action on his own suit, or by way of a counter-claim to the suit of the other party. If there is a breach of part of the contract, the contract

* See page 173. An agreement made by a society under seal requires a stamp of 10s. to render it valid. † See page 446.

cannot generally be avoided, unless the breach goes to the root of the contract, but damages may be claimed according to the damage suffered. Damages may be liquidated or unliquidated. Where the damages are mentioned in the agreement, the jury will consider that this is the amount which, in the opinion of the parties, will compensate for the breach of contract; but such must be distinguished from a penalty or imposition placed upon the contract with a view to performance, in which case the jury will consider whether the penalty was just and reasonable as compensation for the breach of contract.* Where no damages are assessed, the jury will award such damages as the circumstances warrant, this amount being termed unliquidated damages.

Fraud and Mistake.

Contracts may always be avoided on the ground of fraud, and sometimes on the ground of mistake. Fraud may arise from misrepresentation. A representation is a statement made by one party to another of some matter connected with a contract, before or at the time the contract is made. If untrue, the question is whether it was innocent, or with intention to deceive. If there is an innocent misrepresentation of material fact, there is a claim for rescission of the contract, but not for damages (Judicature Act). In some contracts innocent misrepresentation may be merely "the silence of the parties on points which in ordinary cases are not necessary to be divulged." These contracts *uberrimae fidei* (of the utmost good faith) include all contracts for insurance, suretyship, and contracts to take up shares or loans in a society or company. Thus the concealment from the Co-operative Insurance Society of the presence of certain articles of extraordinary risk on insured premises; the concealment from a surety of certain relations between the servant and the society, such as a lax system of checking his accounts; or the concealment, however innocent, from a person holding loans in a society, of the fact that the society

* Stevens' Mercantile Law.

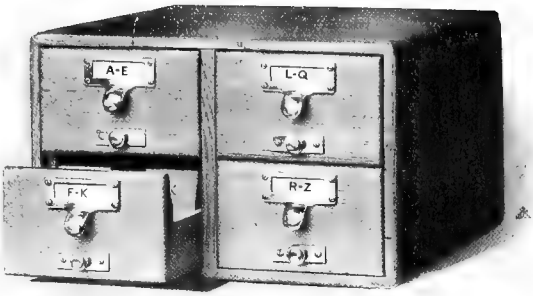
has exceeded its borrowing powers; in all or each of these cases the Court may permit the other party to avoid the contract, and, though no damages may be claimed, order that he be restored to the position he occupied before entering into the contract. Fraudulent misrepresentation may be a false statement of fact, but not a mere expression of opinion. It is not assumed in law that if I state that "My medicine cures all ailments," that I have misled a person to believe it; and, therefore, in the case of puff advertisements, the ordinary rule of common law applies—*caveat emptor* (let the buyer beware). The fraudulent misrepresentation must be known to be false; it must be intended by the one party to be acted upon by the party misled by it; it must actually deceive; and damage must be suffered. Such a case might be the sale of a crate of Irish eggs, sold as new laid eggs. The remedies are rescission of the contract with or without claiming damages; or the contract may be enforced by the injured party, and damages claimed. Mistake is not a misrepresentation but a misunderstanding either of the word or conduct of the parties. In this case there may be no contract at all, the parties not being *ad idem* (see page 147); or the contract may be rectified according to the intended terms, or made binding upon the party whose conduct or speech has, however, innocently and in good faith, induced the mistaken belief of the other; or the contract may be rescinded or set aside if the contract is executory, and the *status quo* can be restored; that is to say, if the parties can be put in their original position. Contracts may be avoided also by a party whose consent was not willingly given, but obtained by threat, coercion, violence, or undue influence; also contracts entered into upon a Sunday.

Novation.

A contract and the rights and duties connected therewith may be assigned to a third party. The assignment may be by act of law or by the act of the parties. The chief classes of assignment by operation of law are the transfer of rights

and duties of the contracts of a bankrupt to his trustee or the official receiver (who has in some cases the power of disclaimer), and the contracts of a deceased person to his executors or personal representatives (apart from purely personal contracts, such as agreements of service, surety, or guarantee, which cease on death); also the covenants running with land. The assignments by act of the parties include common cases, such as the purchase of a business (where such business consists of liabilities in addition to assets), the purchase of book debts or choses in action, or the amalgamation or taking over of a society or company. The contract of assignment is really of a trilateral nature, affecting three separate parties, and the consent of the other party to the original contract must be obtained to rid the assignor of the liabilities under the contract to be assigned. If I sold my business to A, who agreed to take over the liabilities and assets, I am not freed from the trade and other debts, unless and to the extent that the creditors have consented to substitute A in my place as the debtor. Consequently, in the purchase of a business, it is customary to buy the assets only, the vendor paying all liabilities, liquidated or unliquidated, existing at the date of the sale. Another instance which may be quoted is the consent of the committee required to make valid the transfer of shares from one member of a society to another. (See page 95.) This three-cornered agreement is termed the *novation* of a contract. The reader should discriminate between the assignment of the *rights* and the *liabilities* of a contract. Previously, express novation was necessary in the assignment of the rights under a contract. By the Judicature Act, 1873, however, a debt or chose in action may be assigned if (*a*) the assignment is absolute and not by way of a charge, (*b*) if the assignment is in writing, and (*c*) if the notice to the debtor is in writing. Thus novation on the part of the debtor is implied, notice to him being sufficient, with or without his consent. The assignment must not prejudice the debtor's rights to counterclaim or set-off, or, as it is legally described, "subject to

VERTICAL FILING.



CARD INDEX DRAWERS, showing sub-division of the alphabet.

MANILLA FOLDER, showing manner of filing documents.

VERTICAL FILE DRAWER, showing the numeric guide cards

[*Kindly lent by the Library Bureau Ltd.*]

PLATE XI.

To face page 140.

equities." If I owe £20 to A, and A assigns my debt to B, it does not deprive me of my right of discount or deduction allowed or claimable upon the contract. Where the assignment of the *rights* under a contract is voidable on the part of the debtor, the action must be taken in the name of the original party to the contract. Assignments of contracts with companies and societies are governed by the various Acts governing them, and the articles of association or registered rules. In the case of the amalgamation of societies, or the transfer of the engagements of one society to another, the creditors' assent is not required, but his rights must not be prejudiced by such amalgamation or transfer. (Section 57.) If so, his remedy is to apply for the suspension or cancellation of registration on account of the violation of this section (see page 14 and section 9), or file a petition for compulsory liquidation by the Court. A society is a company under the Companies Acts, 1862 to 1890, so far as it deals with compulsory or voluntary liquidation (sections 58 and 59); though it may otherwise be wound up by instrument of dissolution (section 58), another clear illustration that a society is not a company under general statute law. (See also page 91.) Assignability and negotiability are not synonymous terms. A negotiable instrument may be passed from hand to hand, and the bearer may claim the rights under the contract without notice of the transfer being given to the party under liability. Such are bills of exchange promissory notes, bank notes, exchequer bills, cheques, and bonds payable to bearer.*

The Sale of Goods.

Having now recapitulated the effect of the law relating to contracts generally, we will deal particularly with that class of contracts with which societies and their officials are brought into touch daily, namely, the sale of goods, the law concerning which is now clearly defined in the Sale of Goods Act, 1893. A contract for the sale of goods is

* See page 409.

defined in the Act as one whereby the seller transfers, or agrees to transfer the property in goods to the buyer for a money consideration, called the price. Therefore for the sale of goods, the ordinary essentials of a contract are necessary, but the offer and acceptance is for the sale of goods, and the price is the consideration. The reader should discriminate between a sale of goods and an agreement to sell goods. Where a sale of goods takes place the property in the goods (though not necessarily possession) passes at once to the buyer, but an agreement to sell goods does not become a sale until the time has elapsed, or the terms have been fulfilled, at which time only the property passes to the buyer. This is an important point, as risk goes with ownership (*res perit domino*). Where specific goods are sold *unconditionally*, and in a deliverable state, the property passes at once. If A goes to the store and buys a specific bag of flour, when the bargain is arranged the flour is his. The shopman may be entitled to hold the article until A pays for it, but the property has passed to A, the shopman's right to retain being the right of lien and not that of property. Where specific goods are sold subject to something to be done to them, such as weighing and testing, or delivery at a particular place, even though such goods are in a deliverable state, the property in the goods passes when such weighing or testing has been done, or delivery made, and notice has been given to the purchaser. The same principle would apply to a specific piece of furniture which requires to be polished, or the performance of some other act is necessary before completion. If goods are specific though not yet in existence, such as a suit of clothes to measure, the buyer obtains the proprietorship only on completion. In each of these cases notice to the buyer must also be given. Where a condition is attached to a contract, such as a registered rule enforcing ready-money payments, or cash on delivery, even though possession has been given, the goods are at the seller's risk until the payment has been made, and the return of the goods can be demanded. Where goods are delivered

to a buyer "on sale or return" or "on approbation" the property only passes when the buyer expressly or impliedly signifies his approval on acceptance, or if he retains the goods beyond a reasonable time. In the case of non-specific goods, such as an order for a load of "best flour," the agreement is executory until the goods are ascertained and appropriated to the contract, either by the seller with the consent of the buyer, or by the buyer with the assent of the seller. Then, and then only, does the agreement to sell become an actual sale, and the property passes. The secretary will be well advised to note that these rules are at the root of transactions of everyday occurrence, and though many things are done by the buyer, and allowed by the seller, without prejudice to his legal rights, for the sake of retaining his customer's goodwill, yet the rights of parties should be respected, and the law regulating the transfer of goods thoroughly understood.

What are Goods?

Goods are defined by the Sale of Goods Act to include all personal chattels other than things in action* and money. Goods may be present or future, but must not be past. There can be a contract to sell goods in existence, or about to exist, *i.e.*, to be manufactured or acquired by the seller, but there is no contract if specific goods have, without the knowledge of the seller, ceased to exist at the time the agreement is made. For instance, if I agree to sell my horse "Prince," and, unknown to me, this horse has died, there is no contract†; but if I agree to sell *a horse* there is a binding contract for me to perform, and if I do not possess a horse I shall either have to acquire one to complete the sale, or pay damages for breach of contract. It will be seen that the term "goods" in its legal significance is more comprehensive than in its general use in a society's accounts, where it is limited to the commodities dealt in by the society with a view to profit.‡

* Such as book debts. † An "impossible" contract. See page 147. ‡ See "Co-operative Book-keeping," page 79.

The Price.

In a contract for the sale of goods the consideration or price must be an amount to be paid in money. It may not necessarily be fixed in the contract, but may be determinable in a manner stated in the contract. In the absence of all reference to price, a reasonable price is supposed to have been intended, "reasonable" not necessarily meaning the market price, but depending upon the particular circumstances. The price may be fixed by quotation, price list, or bargain between the parties; or it may be left to the valuation of a third party. The price must be paid according to the terms of the contract, and by legal tender.*

Acceptance, Delivery, and Receipt.

An acceptance of goods must be distinguished from acceptance of an offer to make a contract binding,† and the reader should also discriminate between the acceptance and the receipt of goods. By the Sale of Goods Act, 1893, both acceptance and receipt is required.‡ An acceptance is defined as an act by the buyer "in relation to goods which recognise a pre-existing contract of sale whether they be an acceptance in performance of the contract or not." It may be implied by the acts, speech, or writing of the parties. Certain judgments may be quoted to show what the Court regards as acceptance within the meaning of the Act. Such are—(*a*) The buyer offered to resell the goods; (*b*) The buyer counted over the goods and said "all right"; (*c*) The goods were received and held an unreasonable time; (*d*) The goods were delivered to a buyer, *who took a sample from them* and, after examining it, said that the goods were not equal to the sample, and that he would not have them. In a case where the buyer *merely inspected* the goods, and then wrote on the advice note "Rejected, not according to representation," it was held that there was no acceptance.§ A receipt is when the

* See page 148. † See page 148. ‡ See page 155.
§ Stevens' "Mercantile Law."

purchaser actually *takes possession* by the same being delivered to him, or in certain cases when a third party or even the vendor holds the goods at the purchaser's disposal. The buyer has the right of delivery of the goods which by the Act is defined as the "voluntary transfer of possession from one person to another." The delivery must be in the manner agreed upon in the contract for sale. The seller must deliver the goods upon payment or tender of the price, or if credit is agreed to be allowed, must deliver at once. Delivery takes place when the buyer, with the seller's consent, *takes possession* of the goods. The seller is not bound in the absence of special terms to bring the goods to the buyer. Delivery to a common carrier authorised by the buyer is delivery within the meaning of the Act, but if the seller agrees to deliver at a fixed place, the carrier is the agent of the seller until delivery is made at such place. The Act also provides that, although the seller agrees to deliver at his own risk, any deterioration which is the result of a long course of transit falls upon the buyer. Delivery must be made of the exact quantity, otherwise the buyer may return the whole; but he may retain the part or the excess, and must pay for what he keeps at the contract rate. The buyer cannot be compelled to take delivery in instalments, unless there is a special agreement to that effect. In the absence of any agreement to send the goods, the place of delivery is the *seller's* place of business, or if he has no place of business, his residence. It must be made at a reasonable hour, and within a reasonable time. It should be noted here that repudiation of a contract, and refusal of goods are two distinct acts. The repudiation of a contract goes to the root of the agreement (see page 157); whereas refusal of goods may merely denote a refusal to assent *by acceptance and receipt* to the seller's appropriation of the particular goods to the contract made for non-specific goods. The reader will discriminate between specific and specified goods. If I examine and buy a particular cask of butter, I have bought specific goods, and only that particular cask

must be delivered. If, however, I buy a load of best flour, A quality, I have not bought specific goods, but goods of a specified nature, and any load of this quality or class may be appropriated to the contract by the seller with the consent of the buyer. It should be remembered that a seller has a right to have his goods accepted, but the buyer is not bound to accept them until he has had a reasonable time to examine the goods to see that they are in accordance with the contract, but if a reasonable time has elapsed, or he does something to the goods for which ownership can be implied, then the acceptance is also implied. Yet a buyer is not bound to return rejected goods ; the seller is only entitled to a notice of the rejection. This, however, does not affect the seller's right to an action on the main contract, if the rejection of the goods amounts to a breach of such contract, and not simply a refusal to assent to the appropriation to the contract of the particular goods consigned.

Rights and Liabilities of Buyers.

In the sale of goods there are two matters which may effect the contract, namely, the condition or the warranty. A condition is a representation (see page 158) made as to the subject matter of the agreement ; it goes to the root of the contract. A warranty is an understanding collateral to the main subject of the contract. Breach of condition may give the right to the repudiation of the contract, and the rejection of the goods, or a claim for damages, but the buyer has waived the condition if he has accepted the goods or part of them, or in the case of specific goods, if the property in them has already passed to him. A breach of warranty gives rise only to a claim for damages, or the repudiation of the whole or part of the price. A condition may in certain cases be implied. Such implied conditions are that the vendor has a good title to the goods, and therefore can sell them ; and in the case of goods sold by description or sample, that the bulk corresponds to such description or sample. Other conditions must be express to affect the contract. The

purchaser of goods has by common law to take the risk of the goods not being suitable for the purpose required, this principle being described as *caveat emptor* (let the buyer beware). Where, however, the buyer, expressly or by implication, makes known to the seller the particular purpose for which the goods are required, so as to show that the buyer relies upon the seller's skill and judgment, and the goods are of a description which it is in the course of the seller's business to supply (whether he be manufacturer or not), there is an implied condition that the goods shall be reasonably fit for such purpose, provided that, in the case of a contract for the sale of a specified article under its patent or other trade name, there is no implied condition as to its fitness for that particular purpose. Where also goods are bought by description from a seller who deals in goods of that description (whether he be the manufacturer or not) there is an implied condition that the goods shall be of a merchantable quality; but if the buyer has examined the goods (see page 164), there is no implied condition as regards defects which such examination ought to have revealed. An implied condition as to quality or fitness of the goods for a particular purpose may be annexed by the usage of trade.* A warranty, like a condition, may be express or implied, but implied warranties are the exception, the rule in such cases, as already mentioned, being *caveat emptor*. The important implied warranties to a contract are that the buyer shall enjoy quiet possession of the goods, and that they are free from any encumbrance, or charge, of which he was not aware when the sale was contracted (Sale of Goods Act, 1893). The Merchandise Marks Act, 1887, stipulates that upon a contract for the sale of goods under its trade mark, mark, or trade name, such trade mark, mark, or trade name shall be genuine, that is to say, not forged, or falsely applied; there are also other Acts concerning special kinds of goods which provide for implied warranties, such as the Fertilising and Feeding Stuffs Act, 1893. An express warranty must

* Sale of Goods Act, 1893.

be in writing if the main contract is in writing. It may be made contemporaneously with the agreement to sell, or afterwards; but if made after the sale is completed, it must be under seal, or for good consideration to be effective, as it then becomes a separate contract. The seller has the right of "stoppage in transitu" or to retake possession of the goods during transit by notice to the railway company, if he hears of the buyer's insolvency, and may retain them until payment. If the buyer becomes insolvent before the goods have left the seller, though the property in them has passed to the buyer, he may retain them until payment is made. Simple knowledge that a person is unable to pay his debts as they become due in the ordinary course of business is sufficient for this purpose. Where accounts are overdue discount may be cancelled, but interest cannot usually be charged unless the buyer has expressly agreed to pay interest or it is the custom of trade, not even if a statement is printed on the invoice to that effect.*

Carriage.

The contract of carriage comes under the group of contracts described as bailments, which include such contracts as the pledge, loan, or deposit of goods. A bailment is the delivery of goods on trust, on the understanding that when the trust has been executed the goods shall be re-delivered. A common carrier is a bailor who undertakes to carry from place to place, for hire, the goods of anyone who employs him. Under the head of common carriers are all owners of carriages, barges, or ships, and railway companies, to the extent to which they by profession carry goods for the general public. The common law relating to common carriers has been interpreted, defined, and limited by special statutes, such as the Carriers Act, 1830, and the Merchant Shipping Acts. A common carrier is bound to carry the goods of the class he professes to carry on the promise

* "In most other cases there was a considerable dispute upon the question of interest. The leaning of the Courts seemed on the whole against allowing it." (Smith's "Mercantile Law.")

of the payment of a reasonable charge. He must deliver at the address given by the consignor, unless the consignee otherwise orders; and he must convey the goods by the ordinary route (not necessarily the shortest) without partiality or delay. Railway companies, by the common law, were only common carriers for goods they professed to carry, but by the Railway and Canal Traffic Act, 1854, they are bound to afford reasonable facilities for the receiving, forwarding, and delivering of traffic, whether they professed to carry the same or not, but in the latter case, if public notice is given to that effect, they might impose conditions if they were just and reasonable; but such conditions do not affect the company's liability for loss, injury, or damage, through the neglect or default of the company's servants. A common carrier is not compelled to carry goods of a nature subjecting him to extraordinary risk, such as explosives, and anyone sending such goods by railway without distinctly marking the packages containing them, or otherwise giving notice of their nature to the company, is liable, under the Railway Clauses Act of 1894, to a penalty of £20 to be forfeited to the company. By the Explosive Substances Act, 1875, a railway company is bound to make bye-laws, to be approved by the Board of Trade, for the loading, conveyance, and unloading of the explosives named in the Act, and the company is liable to penalties for dealing with such goods otherwise than described in the Act; but liability can be transferred to the consignor or consignee, if they are proved to be the guilty parties. A common carrier has the right to have the goods delivered to him, and to have his remuneration paid, but the payment must be reasonable. He may claim to be paid in advance, but not before he receives the goods. He has a particular lien upon the goods upon which the claim arises, namely, the power of retaining the goods until the charges are paid; but he may not sell the same, by auction or otherwise, except with the consent of the person chargeable, nor has he a general lien upon the goods, that is to say, with respect to a previous debt. Railway companies,

however, usually impose conditions giving them a general lien, and the power of selling by auction, or otherwise, the goods held by them; but these conditions are null and void unless set out in a signed written contract, which is generally required when a monthly carriage account is opened with the company by the consignee.

The Liability of a Carrier.

A common carrier is, as it were, an insurer of the goods entrusted to him; that is to say, he is liable for any loss or damage, whether caused by his negligence or not, except it arises from the act of God or the King's enemies. Even if his liability be limited by special agreement, he is liable for loss or damage, if caused by his negligence, or if he does not provide a proper carriage. He is only responsible for the safety and security of goods during transit, that is while they are in his charge, as it is his duty to deliver as well as to carry; and after transit for a reasonable time, varying with circumstances. After such time he is only liable as a warehouseman, namely, for loss or damage resulting from the negligence of himself or his servants. If the consignee refuses to take the goods, the carrier is covered if he does what in the circumstances is reasonable; but it is not always necessary for him to give notice to the consignor, though it is advisable for him to do so. He is not liable for loss or damage to goods which has arisen owing to the neglect of the owner, without negligence on his part, such as insufficient packing; nor is he liable for damage resulting from the inherent vice, or the natural deterioration of the goods delivered to be carried. If the nature of the goods requires special care, he must be informed of this, otherwise he is not liable for any damage which, but for such cause, would not have happened. By the Carriers Act, 1830, a carrier is not liable for loss or injury to certain scheduled articles (chiefly silks, china, glass, paintings, and jewellery), in four classes, if the value exceeds £10, unless the nature and value of the contents are declared, and, if demanded, an increased charge

paid. Such demand may be made by public notice in the place where the parcels are received, and it is not necessary to prove that the notice was brought to the knowledge of the consignor. In the case of horses, cattle, and other animals, a railway company is not liable for damages beyond certain scheduled amounts (such as £50 for a horse, &c.), unless the person sending or delivering the same to the company shall, at the time of delivery, have declared them to be respectively of higher value than the scheduled amounts; and the company may in such cases demand a higher rate (if reasonable) for the increased risk, public notice as referred to above being necessary and sufficient to bind the contract. A public notice, other than in the special cases referred to, does not limit the liability of common carriers, nor can a carrier even by special contract limit his liability for pilferage, or any other felonious act on the part of his servants resulting in loss or damage. He is liable for consequential damage (such as loss of market) resulting from delay, circuity of route, goods lost, &c., and railway companies relieve themselves of this liability by quoting reduced rates; but these conditions are only legal if they are just and reasonable and are the subject of a *signed written** contract, and not merely the printed *notice* on the back of an invoice or consignment note.† (Decision of the House of Lords in the case of Peek *v.* the North Staffordshire Railway Co.) It will be seen on page 206 that railway companies require the signature of the consignor or his agent or representative to a request to them to receive and forward the goods consigned on the conditions stated on the other side of the consignment note. This contract is good so long as the rates charged are the reduced rates, thus making the carriage a special contract.

Carriers by Sea.

It should also be remembered that a ship owner is not under the same liabilities as a common carrier, and if by stress of weather it is necessary to throw the cargo overboard,

* "Written" in law means by hand, typed, or printed. † See page 174.

it is not at the carrier's risk. Nevertheless, unless otherwise agreed, where goods are sent by the seller to the buyer by a route involving sea transit, the seller must give such notice to the buyer as may enable him to insure them during the sea transit, and if the seller fails to do so, the goods shall be deemed to be at his risk during such sea transit.* It will be noted, however, that in such cases (such as purchases of Danish butter from the Co-operative Wholesale Societies), the insurance is generally paid by the seller and charged on the invoice.

The Law of Contract in Relation to Societies.

The relations between societies seldom end in war. The spirit of goodwill, that should inspire their relations, allows many things to be suffered on each side for the sake of continued trade or amicable and harmonious relationship. Yet through all their intercourse the law as laid down by judgment and special statute is reflected, and this will be noted by the reader as we discuss the various co-operative schemes and methods in detail, for law is the basis of all relationship between parties, whether co-operators or not. For this reason, therefore, it is endeavoured in the course of this work to acquaint the secretary with those points of law which particularly enter into the affairs of the society with which he deals.

* Sale of Goods Act, 1893.

APPENDIX TO CHAPTER X.

INDUSTRIAL AND PROVIDENT SOCIETIES ACT, 1893.

SECTION 35.

Contracts Made—How Varied and Discharged.

Contracts on behalf of a registered society may be made, varied, or discharged as follows:—

(*a*) Any contract, which if made between private persons would be by law required to be in writing, and if made according to the English law to be under seal, may be made on behalf of the society in writing under the common seal of the society, and may in the same manner be varied or discharged;

(*b*) Any contract, which if made between private persons would be by law required to be in writing and signed by the persons to be charged therewith, may be made on behalf of the society in writing by any person acting under the express or implied authority of the society, and may in the same manner be varied or discharged;

(*c*) Any contract under seal which, if made between private persons, might be varied or discharged by a writing not under seal, signed by any person interested therein, may be similarly varied or discharged on behalf of the society by a writing not under seal, signed by any person acting under the express or implied authority of the society;

(*d*) Any contract, which if made between private persons would be by law valid though made by parol only and not reduced into writing, may be made by parol on behalf of the society by any person acting under the express or implied authority of the society, and may in the same manner be varied or discharged;

(*e*) A signature, purporting to be made by a person holding any office in the society, attached to a writing whereby any contract purports to be made, varied, or discharged by or on behalf of the society, shall *primâ facie* be taken to be the signature of a person holding at the time when the signature was made the office so stated.

All contracts which may be or have been made, varied, or discharged according to the provisions contained in this section, shall, so far as concerns the form thereof, be effectual in law and binding on the society and all other parties thereto, their heirs, executors, or administrators, as the case may be.

GENERAL CONDITIONS ATTACHED BY RAILWAY COMPANIES TO SPECIAL CONTRACTS OF CARRIAGE.

1.—The Company will not be liable for loss of or injury done to any goods, matters, or things described in the Carriers' Act, 1830, unless the particular articles and the value thereof be declared, and an increased charge over and above the charge for carriage be paid as compensation for the risk incurred.

2.—In respect to any animals, luggage or goods booked through by them or their Agents for conveyance, partly by railway and partly by sea, or partly by canal and partly by sea, the Company shall be exempted from liability for any loss, damage or delay which may arise during the carriage of such animals, luggage, or goods by sea from the Act of God, King's enemies, fire, accidents from machinery, boilers, and steam and all and every other dangers and accidents of the seas, rivers, and navigation of whatever nature and kind soever, in the same manner as if the Company had signed and delivered to the consignor a bill of lading containing such conditions. And in respect of any animals, luggage or goods so booked through by the Company or their agents for conveyance by Shipping Companies or other carriers by sea, where such carriers by sea are exempted by their bill of lading or otherwise from liability for any loss, damage, or delay occasioned by the neglect or default of themselves or their servants, the Company shall also be exempted from liability for any loss, damage, or delay occasioned by the neglect or default of such carriers by sea or their servants.

3.—No claim in respect of goods, for loss or damage during the transit, for which the Company may be liable, will be allowed unless the same be made in writing within THREE DAYS after the delivery of the goods in respect of which the claim is made, such delivery to be considered complete at the termination of the transit as specified in the next Condition.

4. The transit shall in no case extend beyond (A) the time when goods carted by the Company are unloaded or tendered at the address to which they are consigned; or (B) the expiration of 24 hours after notice of arrival of the goods, posted by the Company, is due for delivery to the Consignee in the ordinary course of post, or notice of arrival is given to him personally or delivered at his address.

5.—After the termination of the transit as defined in Condition 4, the Company will thenceforth, and subject to these conditions, hold the goods as warehousemen, subject to the usual charges.

6.—After the termination of the transit, goods carried or conveyed by the Company will be subject, in addition to the charge for carriage, to further charges for demurrage of 3s. per truck per day, and 1s. per sheet per day, in the case of traffic conveyed in Railway Companies' trucks, and of 6d. per truck per day for Siding Rent in the case of traffic conveyed in traders' trucks, or in the case of such goods as are unloaded from the truck, to reasonable charges for rent or services performed, until they are removed from the Company's premises; and similar charges will be made with respect to goods the delivery of which cannot be effected by the Company in consequence of incorrect or insufficient address. Provided that no such charges shall be made if the Company have not given proper opportunity for the removal of the goods or the discharge of the truck. When specially constructed trucks are used, 6s. *per truck* per day demurrage will be charged on trucks

constructed to carry 15 tons and under 20 tons, 12s. *per truck* per day on trucks *capable of* carrying 20 tons and under 30 tons, and 20s. *per truck* per day on trucks *capable of* carrying 30 tons and above.

7.—Consignors ordering trucks and failing to load and order them away within 24 hours after such trucks shall be ready for loading at the station or siding to which they were ordered, will be subject to charges of 3s. per truck per day, and 1s. per sheet per day, for demurrage, for every day or fraction of a day they shall be detained after the expiration of such 24 hours. When specially constructed trucks are *ordered*, 6s. *per truck* per day demurrage will be charged on trucks *constructed to carry* 15 tons and under 20 tons; 12s. *per truck* per day on trucks *capable of* carrying 20 tons and under 30 tons; and 20s. *per truck* per day on trucks *capable of* carrying 30 tons and above.

8.—All goods delivered to the Company will be received and held by them subject to a lien for money due to them for the carriage of and other charges upon such goods, and also to a general lien for any other moneys due to them from the owners of such goods, upon any account; and in case any such lien is not satisfied within a reasonable time from the date upon which the Company first gave notice to the owners of the goods of the exercise of the same, the goods may be sold by the Company by auction or otherwise, and the proceeds of sale applied to the satisfaction of every such lien and expenses.

9.—All perishable articles refused by the Consignee, or at the place to which they are consigned, or consigned to a place not known by the Company's agents or servants, or insufficiently addressed, or not paid for and taken away within a reasonable time after arrival, if addressed to be kept till called for, may be forthwith sold by auction or otherwise, without any notice to Sender or Consignee, and payment or tender of the net proceeds of any such sale after deduction of freight charges and expenses, shall be accepted as equivalent to delivery.

10.—The Company will not be liable for any loss of market.

11.—The Company will not be liable for any indirect or consequential damages in respect of goods lost, injured, or delayed.

12.—The Company will not be liable for any loss of, or damage to, or delay of goods resulting from their being not properly protected by packing.

13.—The Company will not be liable for any loss of, or damage to, or delay of goods resulting from their being not properly or not sufficiently addressed.

14.—The Company will not be liable if goods are lost, injured, or delayed owing to a defect in a wagon not belonging to or provided by the Company, unless such defect arose from the neglect or default of the Company or their servants, or unless the Company or their servants were guilty of negligence in not discovering such defect.

15.—In respect of goods consigned to places beyond the limits of the Company's free delivery, the responsibility of the Company will cease when such goods have been delivered over to another carrier in the usual course for delivery.

16.—In all cases where the Company's charges are not prepaid, the goods are accepted for carriage only upon the condition that the Sender remains liable for the payment of the amount due to the Company for the carriage of such goods, without prejudice to the Company's rights, if any, against the Consignee or any other person.

17.—In respect of traffic of every description which loses weight in transit through drainage, evaporation, or any cause beyond the Company's control, carriage shall be paid upon the weight ascertained at the sending station.

CHAPTER XI.

Co-operative Distribution and Production.

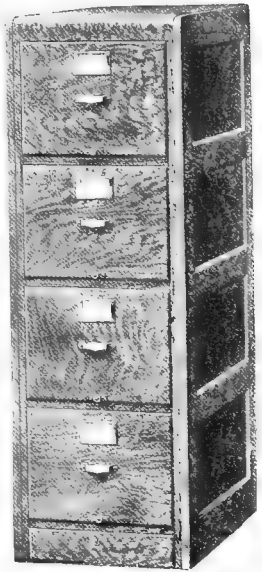
Two Classes of Societies.

The various kinds of societies referred to in Chapter I., which bring into practice the principle of co-operation, may be placed under the two general heads of distributive and productive. Co-operators aspire not only to bring to the individual constituents of the movement the profits made upon retail distribution, but also the various profits which gather round the price as the goods pass from hand to hand before they reach the consumer from the place at which they originally came into existence. As Miss Catherine Webb so graphically puts it*: "We can perhaps trace the possible extension of co-operation in this purely distributive side by thinking of an article of food which custom has made almost, if not quite, a necessity of life to British people. Every housewife knows that the raisins with which she makes her plum bread or cake come from a foreign country. No housewife would dream of running off to Spain to buy a pound of plums every baking day. She has been in the habit of getting them from Mr. Smith, who gets a box of them from the merchant, who buys some tons of them from an agent in London, who has dealings with a merchant in Spain, who collects large quantities from the growers. Between the housewife and the grower there stand all these people, each demanding from her some benefit or profit on the transference of the article from one to the other." Thus the wholesale distributive societies, by the combination of the capital of consumers, through their retail distributive

* "The Machinery of the Co-operative Movement," published by the Co-operative Union.

VERTICAL FILING—EXPANSIVE CABINET.

SINGLE SERIES



DOUBLE SERIES

PLATE XII.

Kindly [illegible] Bureau Ltd

To face page 176

societies, do what a joint-stock company could do, and often does, by standing in the place of all these people and obtaining the goods direct, the difference being that the member-capitalists receive the various profits in dividend upon their purchases, after paying capital its due interest. Again, there is the profit on manufactured goods which is earned by the manufacturers in the bringing of raw material from the ground in the first instance, and carrying it through its various stages to the finished article for use, to eventually place upon the wholesale market. Therefore, the various productive societies seek by combined capital to carry on this business of manufacture, and return the profits thus made to their members (who are either the workers themselves, or distributive societies, whether wholesale or retail) as a dividend or deferred discount upon the goods sold to them. These methods have been criticised as leading to the destruction of capital; yet, as it is now recognised by the various Companies Acts that the combination of individual capital for joint enterprise is a powerful aid to commerce, the schemes referred to are really an attempt to bring the best value out of the capital which is requisite in every kind of business. For it is claimed that, while co-operation reserves for capital a reasonable interest as a first charge, after giving labour and management its adequate remuneration, it reduces the cost of the necessaries of life, and increases the margin for individual savings. Thus, in addition to being an incentive to thrift, it increases *purchasing power*, both of which, by increasing capital (accumulated profit) or turnover (area over which profit is made), directly accelerate trade and commerce. Another criticism levelled against the co-operative method is the deletion of individual enterprise, and perhaps this may be accepted as the most telling argument against the movement; for enterprise is the breath of all trading concerns, and should receive its proper recognition. The fact that distributive societies are identified with towns, villages, and districts, may be a guarantee that local spirit and patriotism will keep alive the enterprise of those con-

nected with them, though it has its objectionable features in overlapping and kindred evils, which could probably be overcome by arbitration agreements. It is feared, however, by many co-operative leaders of thought, that in co-operative production the mistake lies in undue centralisation. Many of the productive societies of to-day, and most of those of yesterday, who have lost their entity, are the result of the enterprise of individuals who with real co-operative enthusiasm have placed their expert knowledge of a special trade at the disposal of their fellow-co-operators, and the comparative failure of "co-partnership" production may be almost entirely attributed to the unco-operative spirit among retail distributive societies shown in the starving of such societies out of existence through want of capital. Productive societies are generally specialists in one class of manufacture, upon which all their expert experience and energies are concentrated, thus obtaining the greatest economy in production and efficiency in management. This is the age for specialising, and in production concentration of capital and expert knowledge upon one object are required to compete with the markets of the world. Retail distributive societies, on this account, are not well advised to enter into productive enterprise, except in what may be called quasi-productive departments, such as butchering, baking, tailoring, dressmaking, and boot repairing. In the case of the wholesale societies, objection on the same ground has been made and so much controversy has raged round this question that it is well that the secretary should carefully read the books and pamphlets published by the Co-operative Union, which will be found to place before the reader both sides of this difficult question. No democratic movement of any kind, which boasts of freedom of thought and action, can claim absolute consistency in its methods; the danger is when, through lack of education, or superficial knowledge on the part of the democratic constituency, the line of least resistance is followed, and selfishness, autonomy, and power are compelled by circumstances to militate against unselfishness,

right, and love of fair play; for in co-operation every self-governing body should be a Playfair Co-operative Society. Most of the mistakes which history has recorded have been the result of initial errors of policy, for a false step in the commencement has often stunted the growth of an excellent idea. After machinery is once built up upon a false basis, it is difficult, if not impossible, to get back to first principles; or, to speak in secretarial language, it is a very responsible and sweeping act to scrap machinery, write off the total loss, and, reinstating with plant of a proper and ideal character, start *de novo*. We cannot, therefore, impress too emphatically upon the secretary the duty that rests upon him to thoroughly examine and grasp the principles of co-operation* as reduced into practice, and, reasoning out for himself what attitude he should take upon matters co-operative, advise according to his convictions. It is one of the drawbacks of the co-operative movement that the committee-man or delegate of to-day is the private member of to-morrow. He often has no means of testing the mind of the constituency he represents, and through lack of education or a superficial grasp of the subject, often acts upon impulse and without serious thought. The secretary, though silently, yet all the more surely, finds himself placed in a position of responsibility, which it is to be feared in some cases makes him, much as he may regret it, an adviser in matters of policy which are often fraught with far-reaching consequences.

Purchases from Wholesale and Productive Societies.

A distributive society, as a free agent, aims to supply all the needs of the individual member, and the interests of the customer should be paramount, for on the consuming power the whole movement rests. It, therefore, endeavours to supply all his demands, meet his tastes, and even his reasonable whims and caprices, and the open market is available for this purpose. Though by a careful and well-judged

* A Certificate in Co-operation is required for the Secretary's Certificate.

display, combined with a tactful pushfulness on the part of the employés, societies should educate their members to the purchase of co-operative productions, a mere appeal to loyalty, divorced from the question of the quality of the goods and proper conditions of labour under which they are produced, is perhaps a mistaken policy, if not a retrograde step, on the ground that free trade in the open market and its accompanying competition is the best guarantee of the success or efficiency of co-operative production. Competition in quality, however, should not be confounded with competition in price, and societies have yet to learn that the cheapest market is not always the best. In the case of wholesale distribution, or goods purchased in international markets, here again competition is a healthy feature; for, in the example of the "raisins" previously given, if the goods are equal in quality, and have been bought so as to be quoted at a rate sufficiently less than the market value, after the wholesale dividend has been deducted, to account for the various middle profits which in the open market hang around the price, then by the ordinary usage of buyers the co-operative goods will command the trade. Thus the competition itself is the guarantee of efficient co-operative buying, both on the part of the retail and also the wholesale society. Competition in production is also of a healthy nature, for if the quality be equal, and the conditions and remuneration of labour the same, the difference in price depends upon the good buying of the raw material, the economy in manufacture, and efficiency in management—and competition is a guarantee of this. Co-operation may easily thus lose by exclusiveness the margin which by its method it seeks to reserve to the consumer, and pay out in waste and inefficiency what it strives to take from middlemen for the benefit of the member. The business of co-operative manufacture, after all, is similar in its characteristics to the management of the private household. A housewife with a limited purse, and therefore a small margin, becomes frugal and saving; but if possessed of ample means for the household needs, on

account of the elasticity of the margin between the means and the demands upon them, she may become wasteful and extravagant. Though competition in the open market may be a blessing instead of a bane to co-operative production, competition between productive societies is to be regretted. In the case of distributive societies, inter-competition (generally termed "overlapping") is sought to be solved by the fixing of boundaries, or generally defining each society's sphere of influence; and perhaps the settlement of the difficulty arising out of inter-competition in co-operative production may eventually be achieved along this direction.

Accounting Generally.

Assuming for our purpose, therefore, that productive societies are independent concerns, it will be noted that the accounts of each class of society vary materially on account of their separate nature. Several books might be written if it was intended to give the secretary of each kind of society the detailed and expert knowledge necessary for his own particular requirements. As, however, the work attempted here, as a text book, or general treatise, will command chiefly the attention of the secretaries, office staff, and perhaps the committees, of distributive societies, attention will be paid more particularly to this special and more frequent form of self-governing co-operative community. It will be obvious to the intelligent reader that it is no light task to organise the results of general practice on points which in many cases are matters of opinion, and one is compelled, in sifting evidence, to boldly introduce to some extent one's own views and experience, leaving to the elasticity of the teaching the discussion of other sides to questions of method, where through lack of space, rather than through the absence of desire, they cannot be placed before the reader in detail; and thus it is hoped that this book will be in some measure a basis of thought for the newly-formed Secretaries' Association. The elasticity of co-operative trade, with its ample margin of profit, has resulted in covering effectively in the

past serious errors in administration and management; but this cannot be urged as an excuse, and the new educational venture, if sharpened to the point of the highest efficiency, may have results little dreamed of by those whose best years and efforts have been directed along the path of co-operation. The plan adopted, therefore, is to lay emphasis upon the questions coming before the office of the distributive society; yet, at the same time, in the discussion of the various divisions of the office, to deal briefly with the methods of productive societies where their nature demands a different manner of routine and administration.

Trade Departments.

Another distinction between the distributive and the productive society lies in the fact that the departments into which the business is divided for balance sheet purposes are in a productive society arranged under commodity heads, that is to say those separate classes of goods of a kindred nature, which by trade custom are made together, the raw material coming from the same source. For instance, in a printing society we have the departments of letterpress, bookbinding, and lithography; in a soap works—soap and candles; in a creamery—butter, cream, cheese; in a flour society—flour and various kinds of offals. Thus the extent is ascertained that each commodity has contributed to the general results, or that each paying department has been penalised by the inefficiency or loss of each non-paying section. In a distributive society the departments are the shops in detail and in classes, the general departments being chiefly grocery, drapery, boots and shoes, and butchering. It is the custom –a good one—to arrange the records so that it is possible, in the first place, to ascertain the results of each general department, and thus note their contribution to the general profits; and, in the second place, to ascertain the contribution of each shop to the results of its department. The departments are so distinct in character that societies are discarding mixed shops, such as "grocery

and drapery," or "grocery and butchering," under the same management, or with indiscriminate records. Large distributive societies have a separate warehouse for each department; but whether this plan obtains or not, the records in the office should be so arranged as to assume a warehouse for each class of shops, for the purposes stated above.

Office Departments.

In the distributive society the office is divided into departments, styled the goods office, the ledger office, the share office, the cash office, and the check office. The goods office deals only with the records of the manipulation of the goods purchased or returned, transfers, and the leakage account; the sales being decentralised among the various shops. In the productive society, the goods office is also concerned with the records of the goods sold and the manipulation of the stores or raw materials which are required for the manufacture of the articles produced, and enter into their cost; also the preparation of the cost accounts. To the ledger office of the productive society is allotted the keeping of the day books and ledgers of sales, purchases, and expenses; but in the distributive society the records of the sales lie between the cash and the check offices. The share office in a productive society is of minor importance, often requiring the attention of one clerk only, as transferable shares require the minimum of attention if a proper system is followed,* seeing that transfers are infrequent, and on the original allotment the shares are generally immediately paid up. If the excellent custom is adopted which prevails in all up-to-date public companies, to use the bank as cashier for transferable shares, this will materially minimise the work of the cash office, in which case the bank transactions concerning them will be also dealt with by the share clerk. In a distributive society the share office is a highly important department, and it is imperative, for reasons already given,

* See Chapter on Transferable Shares.

that it should be distinct and separate from the cash office, even when dealing with the payment of dividend. (See page 125.) The cash office in a productive society has little to do with coin, except in the payment of wages and petty expenses, the majority of the receipts and payments being by cheque, which closes some of the avenues of fraud. In a distributive society the cash office should, as far as practicable, pay by cheque all accounts for purchases and expenses; nevertheless, a large amount of coin may pass through this office as returns from the shops, to be deposited into the bank, and for this reason a separate department called the check office is necessary. Perhaps there is no office which is so inefficient as the check office of co-operative societies, in spite of the fact that not only are the receipts for sales the largest in amount of value and the greatest in importance, but also constitute the source of the profit and the chief avenue where opportunities for fraud congregate. It will be readily seen, without going into detail at this stage of the work, that the division of responsibility in the manner described will contribute to the efficiency of the office work, as well as causing each self-contained department to unconsciously and automatically check another.

Societies Varying in Size.

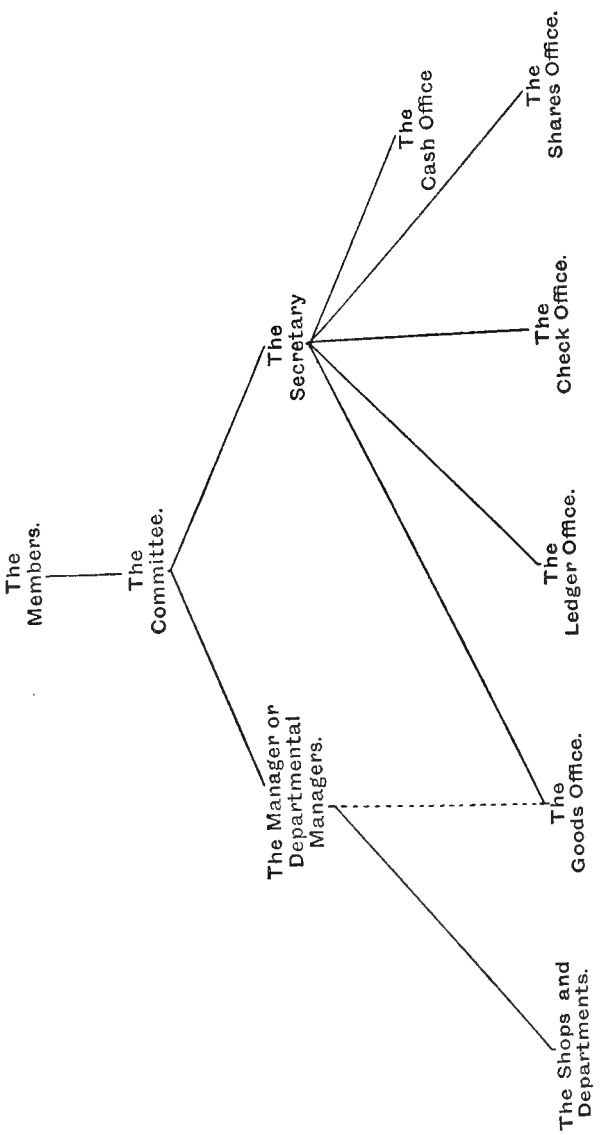
The methods of large societies, on account of greater work, larger staff, and heavier responsibility, are often of a more efficient character than those of small societies; yet, in both cases, the offices are invariably understaffed, the so-called non-productive labour often being sweated on the ground of expense. In the case of larger societies the efficiency is often the result of unreasonable "overtime," both on the part of the secretary and his staff, where, in the case of the former, he should have had time to "look around him" and deal with other important matters, which, because not immediately pressing in nature, get shelved *sine die.* Duties commonly omitted, as the proper scheduling of deeds and the methodical revision of insurances, may be cited as

concrete examples of this. Yet the smaller society in its methods should be a diminutive reflection of its bigger brother. We have therefore preferred to assume in this work that the "Playfair Co-operative Society" is a distributive society of fair size, and we leave to the secretary, if he has not already done so, in whole or in part, the task of intelligently adopting the methods discussed, and with his smaller staff dividing the responsibility thus outlined among them so far as the limitations of *personnel* permit.

APPENDIX TO CHAPTER XI.

THE PLAYFAIR CO-OPERATIVE SOCIETY LIMITED.

ADMINISTRATIVE RESPONSIBILITY.



CHAPTER XII.

The Goods Office—Purchases and Carriage.

The Goods Office.

The floating assets of the society in the form of goods should be accounted for as carefully as cash, though it is feared that this principle has not yet been sufficiently recognised. On the correct record of the goods transactions depends the knowledge of their profit-making capacity, as well as the leakage, which, though not shown in the body of the trade account,* has an important and direct effect upon the gross profits. (See "Co-operative Book-keeping," page 50.) The task of recording the goods should be allotted to a department of the office, called the goods office, which should be in close touch with the warehouse where the goods are delivered and housed prior to their transfer to the shops and departments, and where they are unpacked, examined, and weighed or counted. The goods office should also be arranged so that it is within easy access of the manager's office, for to the manager or his clerk references will have to be constantly made as to the marks, prices, and kinds of the goods.

The Purchase of Goods.

The duties of the buying and handling of goods, the charge of the departmental employés, and the responsibilities connected with the trade of the society, rest upon the shoulders of the manager—a trust which will be readily recognised as being one requiring the time, attention, and energies of a specially trained and competent man. On the other hand, the records and statistics of goods are under the control and authority of the secretary, for which he is directly responsible to the committee. This important principle, once laid down and accepted, will be found to

* See page 580.

dissipate many differences between the two chief officers of the society with respect to the boundaries of their duties. As to the ordering of goods, it is a doubtful policy for the committee to direct that all proposed purchases shall come before them in detail before they are contracted, no discretion or power of initiative being allowed to be exercised by the manager. Where such discretion is allowed it is found to be more convenient in working, though dangerous in the hands of a rash, incapable, or speculative official. This, however, is no matter for the secretary, and we will therefore deal with his duties as to the proper and accurate record of the purchases in the books of the society. All orders sent by post should be given by the manager from a manifold order pad, the pages being machine-numbered in duplicate; but where they are given by 'phone, or on a visit to the saleroom, warehouse, or market, a pocket memorandum book should be carried by him, in which the particulars of the purchase should immediately be noted.

The Purchase Book.

The manager (and every other servant upon whom the committee have placed the duty and responsibility of buying) should keep a purchase book (see page 198), which should be produced to the committee or special sub-committee at every ordinary meeting. The manager, or his clerk, should enter into this book each day the particulars of all goods purchased, whether on contract or otherwise, or whether for present or future delivery, from the memorandum and order books mentioned above, giving the reference to their folio. The purchase book should have columns for the reference to the order, the date, the vendor, the quantity purchased, the description of the goods, the price quoted, the date fixed for delivery, the station from which carriage is to be paid by the society, the terms of discount, and the contract ledger folio; further columns being also provided for the use of the goods office, headed "Invoice No." and "Carriage Invoice No." In the case of large contracts for such goods as flour,

jams, soap, butter, &c., reference should be made to a contract ledger (see page 199), where the invoice reference will be entered by the goods office on each delivery until the contract is exhausted. When the final delivery has been made and the contract is complete, the ledger account should be ruled off. If a purchase is made subject to carriage being paid by the consignor, then the word "paid" should be entered in the column "Carriage Invoice No.," as no reference to the carriage invoice becomes necessary. Purchases for books or office requisites should be entered into a separate purchase book by the secretary, who in these cases has the power of buying. Purchases for cash to a limited extent—a power sometimes given by the committee to shopmen for the purchase of such articles as farmers' butter and eggs—need not be entered in the purchase book, as a record appears upon the cash purchases slips (see page 455); but it is doubtful whether this practice should not be discouraged. The use of the purchase book obviates the necessity of asking the permission of the committee for orders, which in negotiation, or a sudden change in the market, may have to be modified; yet the manager is restrained from any rash buying because of the knowledge that the records will duly come before the committee. Nor will he attempt to omit cases of mis-buying, for they automatically reveal themselves in the invoices which come to the secretary in the ordinary course to be checked with the purchase book in the goods office. The committee are thus able to know to what purchases they are committed, even though circumstances may happen which prevent a reference being made to the manager personally, and a provision may be made in the balance sheet for a contingent loss upon a large commitment.*

The Goods Receiving Book.

All goods delivered will be directed to the warehouse,† and entered by the warehouseman into a goods receiving book.‡

* See page 481. † Or, if sent direct, treated as transfers through the warehouse, to which they are charged in the first instance (see page 239). ‡ See page 200; also "Co-operative Book-keeping," page 71.

Where packages of drapery or boots are received, there is usually inserted by the consignor a slip* showing the details of identification of the contents, from which the goods receiving book can be entered after the goods in the package have been checked. The butcher should enter into a similar book the particulars of cattle, &c., received. The goods receiving book should have its pages machine-numbered in duplicate, the perforated sheet of original entry being sent periodically to the goods office. The book is ruled with columns giving the date, consignor, the conveyance (insert R for rail, and O for own cart or lorry), description of goods, quantity, weight (gross, tare, and net), number of empties, initials of receiver, invoice number, and carriage invoice number; the abbreviation "pd." being entered in the last column by the warehouseman when the goods have been sent "carriage paid." The column provided for the number of empties gives the goods office not only a check upon the charge for empties on the invoices, but also upon the empties returned, allowing the goods clerk the opportunity of verifying the empties which should appear upon the stock sheets. Separate goods receiving books should be kept for each department, such as grocery, drapery, boots and shoes, and butchering, as it is necessary to distinguish each as a separate warehouse, each class of shops coming under their departmental heading in the books of account and in the balance sheet. In the butchery goods receiving book, the number of the hides and skins to be accounted for† should be entered in the "empties" column.

The Invoice.

On the morning following the despatch of goods the invoice will be received by the secretary, and should be registered and filed in the ledger office prior to being handed to the goods clerk. *Invoices should never leave the office, i.e., go to the shops.* They will be in a convenient size for filing (see page 201), seldom larger than quarto, and will be

* See page 218. † See pages 267 and 138.

generally found to be in a single sheet, on one side only. The name of the firm from which the goods were purchased will be printed in bold characters upon the head of the document, and in blank spaces arranged for these particulars will be entered the name of the society to which the goods are consigned, the date of the order, the date sent, the manner of conveyance, and the words "carriage paid," or "to pay from....." In ruled columns thereunder will be entered the quantities or weights, description, marks, prices, and charges for the goods, the latter being extended into the outer column, a total being made after the entry of the empties charged for. These invoices will be stamped by the ledger office in a convenient space at the foot, or on a slip of paper gummed firmly to it, as follows :—

No. of Invoice .....
Ledger Folio.....
Date Received .....
Goods Checked by .....
Extensions Checked by.....
Purchase Book Folio .....
Receiving Book Folio .....

The invoices will be arranged in order of receipt upon a "Shannon" file (see page 16), and numbered consecutively in the space provided upon the stamp. They are now checked by the goods office (both as to descriptions and prices) with the purchase book, the invoice reference being entered therein in the column provided, or, in the case of contracts, in the column of the account in the contract ledger to which the purchase book refers; the folio of the purchase book being also entered upon the invoice. The items of the goods receiving sheets, both with regard to goods and empties, are also followed with the invoices, similar cross references being made. The date of the receipt of the goods is also entered upon the invoice in the space provided, as this prevents any items being omitted by the ledger office from the liabilities

at the end of the period of balancing, which have been taken into stock. The invoices should always be submitted for confirmation to the manager, who initials the same; for, although the particulars both of the quantities and prices have been checked from the purchase book independently of him, this course gives him the opportunity of examining the items and prices, recalls to his mind any special facts concerning the goods, such as returns to be made, and credit note claimed, claims for pilferage, shortage, or damage, breach of contract, and other matters requiring his personal supervision. The extensions should also be checked, and discounts deducted according to the terms entered in the purchase book upon which the manager has bought the goods, thus giving the ledger office the net direct charge to the department concerned.* As an invoice corresponds with the charge in the consignor's sales day book† (see "Co-operative Book-keeping," page 36), it is better not to alter the invoice in the case of errors being discovered either in quantities or prices, but a note made at the foot giving a reference to the credit note or further invoice for the difference, as the case may be. This course saves trouble in checking statements‡ of account for payment (thus keeping additions and deductions for errors separate from discounts), and will be appreciated by the office staff of the consignor, as well as being a more business-like method. The invoices are then returned to the ledger office (where they were originally registered and numbered consecutively), and are entered into the day book and posted to the trade ledger.§

Credit Notes.

Credit notes‖ for returns, which by the trade custom are printed in red to distinguish them from invoices, should be similarly registered and filed in the ledger office, stamped as

* See page 311. Discounts must not be deducted from empties.
† See page 327; also see page 217. ‡ See page 432. § See page 313.
‖ See page 202. With regard to deductions from the carriage account, however, a detailed statement is made, and attached to the invoice, the amount being deducted from the invoice total. The net departmental analysis is thus obtained. (See page 197.)

THE EXPANSIVE CABINET.

BUILDING IN SECTIONS

[Kindly lent by the Library Bureau Ltd.

PLATE XIII

To face page 192

below, and the references to the counterfoils or duplicates of the advice book, consignment book, or claims book,* entered in the space provided :—

CREDIT NOTE NO.....
LEDGER FOLIO.....
DATE RETURNED.....
GOODS CHECKED BY .....
EXTENSIONS CHECKED BY.....
ADVICE BOOK FOLIO .....
CONSIGNMENT BOOK FOLIO.....
CLAIMS BOOK FOLIO.....

Credit notes are generally for empties, in which case no deductions for discount (which would be against the society) have to be made. Credit notes, unlike invoices, are often late in arrival at the office, and the secretary should exercise great care in ensuring that all pages of the advice, consignment, and claims books are followed up and duly cancelled by the receipt of the credit note. It is feared that by neglect of this important duty much money is lost by societies, not so much by delay in making claims or returning empties as by an unbusiness-like method in following them up ; and in a large society returns in course of transit by goods train (which are often shunted and re-shunted by the railway company on account of the cheaper carriage rate, before arrival and delivery to the consignee) are omitted in the accounts, either as returns not credited in the purchases account, or as goods in transit in the stock sheets, and the actual profit for the period is not then correctly ascertained.

Railway Transport.

Where no account is opened with the railway company, the carriage invoice is presented with the goods, and the charge must be paid on delivery. It is usual, however, to open a ledger account, an invoice being presented by the

* Advice Book ; see page 203. Consignment Book ; see page 206. Claims Book ; see page 205.

company every month. Where the goods are brought from the station on the society's own lorries, a railway advice note* is sent by the company to the society, stating that certain goods are in hand, awaiting clearance, and fixing the time within which the consignee is expected to take delivery of the goods. On the expiration of that time the company cease to be common carriers and become warehousemen, with warehousemen's liabilities; that is to say, their liability is limited to loss or damage resulting from the negligence of themselves or their servants. In the event, however, of the goods being accidentally destroyed by fire, or even negligently by rats and other vermin, the loss will fall upon the society. The usual warehouse charges are also made. If the goods remain on the truck for the society's unloading, demurrage of 3s. per truck per day, and 1s. per sheet per day, may be charged;† or in the cases where the goods are unloaded by the company from the truck, reasonable charges may be made for rent and services performed until the goods are removed from the company's premises. It should be remembered that some railway companies quote two rates for certain classes of goods, one being the ordinary common carriers' liability rate,‡ and the other the "owner's risk" rate. In the latter case, claims must be made upon the owner and not the company, unless wilful misconduct of the company's servants can be proved. Claims for damage, pilferage, loss through non-delivery, late delivery, or consequential depreciation,§ should be made from a special book, paged in duplicate,|| signed by the manager, and sent by post in the ordinary course. There is a special rate for empties if sent by goods train, and unless special arrangements have been made by the consignee or consignor with the company, must be sent carriage paid, and must be returned by the same means (whether goods or passenger train) and over the same route as were employed in the forward journey.

* See page 204. † See page 174; the exception is in the case of coal wagons, where, after a certain number of days, demurrage of 6d. per day is charged. The general charge has recently been reduced on certain railways. ‡ See page 171. § See page 171. || See page 205.

The charges include both collection and delivery.* When consigning goods by railway, a railway consignment note† should be given in all cases (the book being supplied by the railway company), a counterfoil with spaces for particulars, signed by the railway carter‡ acting as a receipt for the goods. Full particulars of the consignment should be given both on the consignment note and the counterfoil to give full identification in case of a dispute. An advice note, containing the same particulars, should be sent to the consignee (see page 203), giving particulars of the invoice on which they were originally charged against the society. The manager should always enter the particulars of the carriage in the purchase book, whether the goods are quoted F.O.R. (free on rail), which means that the consignee is liable for the charges upon the truck from the time it leaves the station where it was loaded by the consignor; or "carriage paid," which indicates that the carriage account is paid by the consignor up to and including the delivery of goods by the railway company, if the rates include such delivery. If this is not the case, cartage is charged by the company on a reasonable basis, according to the circumstances. Where the railway rate includes collection or delivery, whether "carriage paid" or "carriage forward," and the society's own lorries or carts are used, the society is entitled to a rebate upon such rates,§ and the manager's clerk should submit a monthly statement of such rebates|| to the secretary for deduction from the current carriage account, or the rebate will not be allowed as a deduction on payment, but must be the subject of a separate claim. It should be noted that rebate is paid upon *gross* weight, particulars of which are found on the goods receiving sheets, and not on the invoices, where the weights are net, nor on the carriage account, because on the latter only the items of the "carriage forward" goods are given. Where the society owns a private siding, rebates can

* See page 168. † See page 206. ‡ See page 196.

§ That is to say, the amount included for such in the rate, according to a rate book to be produced by the company, if required.

|| See page 197.

also be claimed to the extent that the company is relieved by the services that these sidings cover.

The Carter's Delivery Book.

Before the railway company deliver up possession of goods, a consignment sheet is handed to the receiver for signature, a separate line thereon being allotted to each consignment, and the warehouseman or carter should add the words "not examined," otherwise the signature may be treated as the clear acceptance of the goods in good order and condition.* The carter should enter into a carter's delivery book (see page 207), the pages of which are machine-numbered both on the note and the counterfoil, the general particulars of the goods received. The note he will hand to the warehouseman, who will signify his receipt by signing the counterfoil, and also enter the reference to the note into the goods receiving book. Where goods are ordered by a branch from the warehouse, the transfer delivery note folio (see Chapter XIV.) need only be entered by the carter upon the carter's delivery note and counterfoil (such as "Received goods as per F44"), and the shop manager's signature obtained. Where goods are delivered for consignment to the society's carter, he will sign the counterfoil of the consignment book,† the consignment note following the goods. The carter will enter particulars in his carter's delivery book, and receive the railway company's signature upon the counterfoil. Where hides and skins, &c., are delivered to the society's carter, or not sent by railway, a carter's delivery book with duplicate pages might be used in the special form given on page 208.

The Railway Account.

The railway account (see page 209), which will be rendered monthly, gives particulars of date, railway invoice number, station from which forwarded, species, marks, gross weights, rate, and amount. It will be registered as an invoice by the

* For the law regarding acceptance of goods, see page 164.
† See page 195.

ledger office in the usual course, and checked by the goods office from the goods receiving sheets, the reference to the carriage invoice being entered in the columns provided, both in these sheets and the purchase book, thus completing such columns in each case where the word "paid" has not been entered. (See page 188.)* The rates should be carefully checked by the manager or his clerk, and the rebates to be claimed noted by him. Every society should obtain a Railway Clearing House Classification Book (price 1s.), giving the classes of the rates,† and the manager's clerk, if an expert in railway accounts, will be able to save many pounds to the society by the careful scrutiny of the rates, and by noting the goods that have been sent in bulk or classification to meet specially reduced rates. After the rates have been thus scrutinised, the goods clerk will verify the extensions and additions, and, after making out the departmental analysis, pass to the ledger office for charging up in the general accounts.‡ A monthly statement of deductions on disputed claims, as well as rebates,§ should be entered upon a special form supplied by the railway company, which is similar to the carriage invoice, additional columns being supplied for "amount in dispute," "remarks," "reference to correspondence," and "how cleared." A copy of this document should always be retained by the society for reference.

* Where carriage has been charged by the consignee upon the invoice, the word "paid" should be entered, thus preventing any possible re-charging upon the railway invoice going undetected.

† See footnote to page 195. ‡ See page 311. § See page 195.

APPENDIX TO CHAPTER XII.

PURCHASE BOOK.

Reference.	Date of Purchase.	Vendor.	Quantity.	Description of Goods.	Price.	When to be Delivered.	Carriage to Pay from.	Terms of Discount.	Contract Ledger Folio.	Goods Invoice No.	Carriage Invoice No.

CONTRACT LEDGER. 1.

Purchase Book Folio.....

Vendor .....

Date of Contract..... *Description of Goods*.....

Quantity Contracted for.	Price.	Dates fixed for Delivery.	Carriage to Pay from	Terms.	Date of Deliveries.	Quantity Delivered.	Goods Invoice No.	Carriage Invoice No.

GOODS RECEIVING BOOK.

Carter's Delivery Book Folio.	Date.	Consignor.	Consigned from.	Conveyance.	Description. Quantity.	Weight. Gross. Cwt.	Gross. qrs.	Gross. lbs.	Tare. Cwt.	Tare. qrs.	Tare. lbs.	Net. Cwt.	Net. qrs.	Net. lbs.	No. of * Empties.	Initials of Receiver.	Invoice Reference. †	Carriage Invoice Reference.

* In the book used for butchering the number of hides and skins will be given in this column.

† Where the invoice is one relating to purchases from sources other than the Wholesale Society the letter G (General) should be given with the reference number. (See page 311.)

INVOICE.

MANCHESTER, March 23rd, 1908.

THE Playfair CO-OPERATIVE SOCIETY LIMITED.

BOUGHT OF THE CO-OPERATIVE WHOLESALE SOCIETY LTD.

Invoice Reference.	Date of Order.	Date Forwarded.	Conveyance.	Carriage. To pay from Biscuitville
CP/ 161.	19th.	22nd.	N.R.	

	Cwt.	qrs.	lbs.	@	£	s.	d.	£	s.	d.
8-4½ lb. Btls. B. Sweets		1	8	22/-		7	1			
5-4½ lb. Tins Mixed Biscuits			22½	40/-		8	0			
1 Tin Treacle Toffee			4½	37/-		1	6		16	7
1 Case 3/-, 1 Case 2/-, 6 Tins 3d., 8 Btls. 4d.									9	2
							£	1	5	9

In any communication about this Invoice, the Invoice Reference to be given.

CREDIT NOTE.

MANCHESTER, 10th June, 1908.

THE Playfair CO-OPERATIVE SOCIETY LIMITED.

CREDITED BY THE CO-OPERATIVE WHOLESALE SOCIETY LTD.

References.		£	s.	d.
CP/215	3 Cases 2/-, 1 Case 2/6, 3 Cases 3/-, 1 Case 4/-, 2 Cases 4/6, 2 Cases 5/-, 1 Box 1/-, 5 Tins 2d., 3 Tins 5d., 10 Tins 1/6, 5 Bottles 2d., 23 Bottles 4d., 1 Bottle broken in transit 2d.	3	7	3
	Society's advice reference 504. £			

ADVICE BOOK FOR GOODS RETURNED.

FROM THE PLAYFAIR CO-OPERATIVE SOCIETY LIMITED.

To.....

We returned on the....day of.....19.., per....., the following, for which please send us Credit Note immediately.

Where Addressed.	Quantity or Number.	Description.	CHARGED.				Reference to Where Credited.
			Date.	Invoice Folio.	Price.	Amount. £ s. d.	

THE NATIONAL RAILWAY.

.....*STATION*,.....19

ADVICE OF GOODS.

M.....

The undermentioned Goods, consigned to you, having arrived at this Station, I will thank you for instructions as to their removal hence as soon as possible, as they remain here to your order, and are now held by the Company as warehousemen subject to the usual warehouse charges, in addition to the charges now advised, and to the conditions on the back hereof.*

When you give instructions for delivery of the Goods, please give reference to, or send this Note, and not later than o'clock, or on Saturdays p.m.

The charges due upon Goods must be PAID ON DELIVERY, unless the Consignee has a Ledger Account with the Company. In any case, the delivery of such Goods and their acceptance by the Consignee without payment of the charges due upon them must be taken to be conclusive evidence of an express agreement that such Goods are so delivered upon the condition that the Consignee admits his liability for such charges, without prejudice to the Company's rights against any other person.

For the NATIONAL RAILWAY COMPANY. *Signature*,.....

A Printed Form of Receipt is specially provided for Amounts of £2 and upwards, and no other will be recognised.

Invoice No.	From	Railway Company.	Description of Goods.		Marks.	Weight.				Rate.	Paid on		Total to Pay.		
			No.			T.	c.	q.	lbs.		s.	d.	£	s.	d.

* See page 174.

CLAIMS BOOK.

10.

THE PLAYFAIR CO-OPERATIVE SOCIETY LIMITED.

To the National Railway Company.

We herewith Claim as under: -	(a)	£	s.	d.
Pilferage and Damage of.....				
Late Delivery and Depreciation in Value of.....				
Non-delivery of.....				
Part Lot of				
PARTICULARS: —				
Your Invoice No..... Our Invoice No.....				
Sender..... Date of Delivery.....19..				

The above Goods were examined by your representative.....

Manager's Signature.....

.....19

THE NATIONAL RAILWAY.

No. 21.

CONSIGNMENT NOTE for Goods to be carried at Reduced Rates at Owner's Risk.

THE NATIONAL RAILWAY COMPANY HEREBY GIVE NOTICE that they have two rates for the carriage of the undermentioned goods, at either of which rates the said goods may be consigned, at the Sender's option—One, the ordinary rate, when the Company take the ordinary liability of a Railway Company; the other, a REDUCED RATE, adopted when the Sender agrees to relieve the Company and all other Companies or persons over whose lines the goods may pass, or in whose possession the same may be during any portion of the transit, from all liability for loss, damage, misdelivery, delay, or detention (including detention of Trader's Trucks), except upon proof that such loss, damage, misdelivery, delay, or detention arose from wilful misconduct on the part of the Company's servants.

To the National Railway Company,..... Station,.....19

Receive and forward the undermentioned Goods, to be carried at the Reduced Rate, below the Company's ordinary rate, in consideration whereof I agree to relieve the National Railway Company, and all other Companies or persons over whose lines the Goods may pass, or in whose possession the same may be during any portion of the transit, from all liability for loss, damage, misdelivery, delay, or detention (including detention of Trader's Trucks), except upon proof that such loss, damage, misdelivery, delay, or detention arose from wilful misconduct on the part of the Company's servants. And I also agree to the Conditions on the back of this Note.* This Agreement shall be deemed to be separately made with all Companies or persons parties to any through rate under which the Goods are carried.

Signature of Sender or his Representative..... *Address*.....

Owner and No. of Truck.	No. of Invoice.	To what Station to be sent.	Consignee.		No. of Articles or Packages.	Description of Goods and Marks.	Weight.				Charges paid on.		Who pays the Carriage.
			Name.	Address.			T	c.	q.	lb.	s.	d.	

N.B.—This note is attached to a counterfoil retained by the society. (See page 195.) * See page 174.

THE PLAYFAIR CO-OPERATIVE SOCIETY LIMITED.

CARTER'S DELIVERY BOOK.

B 37.

RECEIVED from.....

.....

Particulars of Goods :

Signature of Receiver,

.....

THE PLAYFAIR CO-OPERATIVE SOCIETY LIMITED.

CARTER'S DELIVERY BOOK.

B 37.

RECEIVED from.....

.....

Goods identified as follows :—

Date

Carter's initials,.....

HIDES AND OFFAL DELIVERY NOTE. B 63.

Delivered to.....

Date.....19..

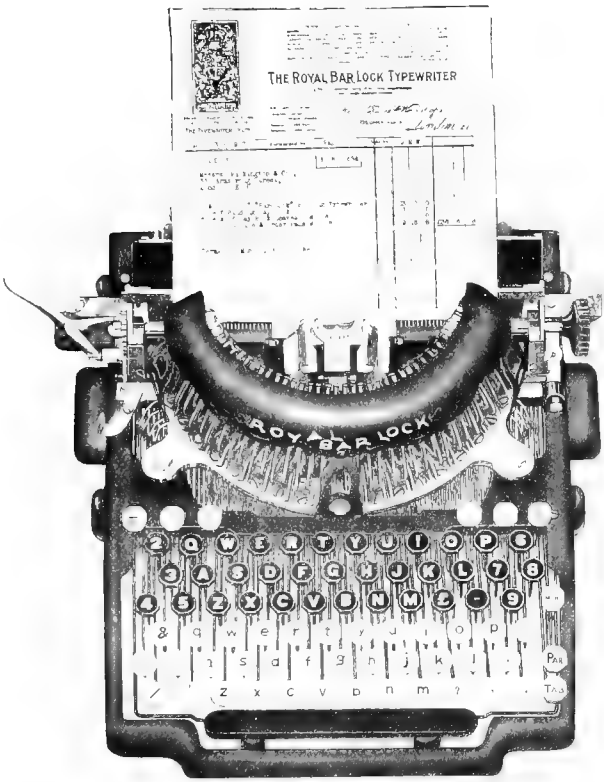
Beast Hides	
Calf Skins	
Sheep Skins	
Lamb Skins	
Bellies and Feet	

REMARKS.

Received by.....Carter

TYPEWRITERS.

Double Keyboard.



View as seen when writing

Kindly lent by the Barlock Co. Ltd.

Plate XIV.

To face page 208

RAILWAY CARRIAGE INVOICE.

All Charges are payable on demand, except where the parties have a Ledger Account with the Company, in which case the amount becomes payable on or before the 25th of the month following that in which the Goods were carried. Disputed items will be inquired into at once, but while under discussion shall form no ground for delay in the settlement of Accounts. Cheques to be crossed and drawn to the order of the National Railway Company. FOR CONDITIONS OF CARRIAGE SEE BACK HEREOF.*

To the NATIONAL RAILWAY, Dr.

M.....

PLAYFAIR STATION,.....19

A Printed Form of Receipt is specially provided for amounts of £2 and upwards, and no other will be recognised.

Date.	Invoice No.	From or To.	Station.	Consignee.	Species.	Marks.	Weight.				Rate.	Paid on.		Total.		
							T	c.	q.	lb.				£	s.	d.

* See page 174.

CHAPTER XIII.

The Goods Office—Output and Turnover.

The Goods Account.

In a distributive society the sales are effected by the shops, to which the goods to be sold are transferred. In a productive society the sales proceed from the warehouse, where the output is ascertained, stocked, and packed for delivery direct to the customer. The fact that goods purchased change their nature in the process of production renders a *general* goods account impossible (see "Co-operative Book-keeping," page 46), yet a series of goods accounts can be so devised as to prevent waste, or other occurrences which prejudice the turnover, and consequently the profits. There are two terms used in the accounts of manufacturing concerns. The word "stock" is applied to the goods after manufacture, and ready for sale; and the name "stores" is used to denote the raw materials, &c., purchased, which are used in the production. For instance, in a cotton-weaving shed the stores will chiefly consist of the spindles of cotton in terms of pounds weight; whereas the stock will be in "pieces," and their account set forth in the books in terms of the unit. A separate goods account, therefore, will be kept of each by the goods office, the goods account of the stock (the stock ledger) being credited with sales, and debited, not with purchases, but with transfers *from* production, or what is termed "output"; and the goods account of the stores (the stores ledger) will be debited with purchases, and credited, not with sales, but with the transfers *to* production, called "stores issued." The check upon the goods in the process of manufacture is obtained by means of cost accounts, the preparation of which will also be an important duty devolving upon the goods office.*

* See Chapter XV.

Stores.

We again remind the reader that the secretary is in charge of the records, and not of the goods, for which the manager is responsible; and the method laid down in the previous chapter, as to the purchase book, goods receiving book, and manner of dealing with carriage, obtains also in the case of productive societies. Here, however, the receiver of goods is the storekeeper, the warehouseman being the chief of the packing department, and in charge of the "stock" or output. The storekeeper will have a separate goods receiving book for each class of material that enters directly into the production,* and for which columns are provided in the invoice book. (See page 311.) He will also have another for sundries or expenses, such as coal, oil, or horse provender, which enter more particularly into the establishment charges,† rather than into the direct cost of production. (See page 261.) Both the stores and stock departments will be under the control of the manager, but their records will pass each day into the goods office for filing and posting to the goods accounts. The arrangement of stores varies with every kind of business, but a definite arrangement, giving the manager at a glance a correct and proportionate idea of the bundles, sacks, &c., of each kind of material, will be soon arrived at by the methodical storekeeper, after some experience of the general requirements. Each class of material should have a fixed reference letter or number, which should be clearly stencilled upon the bundles or packages, a plan that will assist in obviating the possibility of running out of stock of any commodity—one of the chief anxieties of a factory manager, as it might entail the temporary shutting down of machinery. A memorandum (called a stores order note, see page 224) should be sent daily to the manager by the storekeeper, on which he will enter the particulars of the stores which require replenishing. In the case of special stores required for a particular contract, the storekeeper will have received an

* Prime Cost. † Oncost.

intimation of this from the works manager or foreman on a works warrant note (see below), the number of which will be entered by the storekeeper on his stores order note. Both the stores order note and the works warrant note should be issued from manifold books, machine-numbered in duplicate, so that the storekeeper or foreman respectively may cancel the unperforated duplicate sheet when its contents have been dealt with, or follow it up if not immediately attended to. As it is usual for manufacturing concerns to buy their most important commodities on large contracts, to be delivered in instalments, it behoves the storekeeper to watch the contract book (see page 199), to which he will have access, to note whether goods required are on contract, and make a note of such upon his stores order note, so that the manager may ascertain the appointed date of the succeeding future delivery of an instalment upon a contract, or make special arrangements with the vendor, if required, for an immediate or earlier delivery. The goods receiving book* will be somewhat different in pattern to the one used by a distributive society (see page 200), special columns being provided for the number of the stores order note, and the initials of the person, other than the storekeeper (whether the manager or the foreman), who has inspected the goods as to their value or fitness for the purpose required.† There is also a column for the entry of the folio of the stores ledger, except that in cases where the goods are rejected and returned, the word "rejected" will be entered to prevent their being posted by the goods office to the goods account in the stores ledger. The advice note of goods returned should state the reasons of return or rejection.‡

Issue of Stores.

The storekeeper is now in a position to supply the works with the various materials necessary for production as they are required. He only issues such goods on a warrant from

* See page 226. † See page 167. ‡ See page 203.

the foreman or works manager (see page 225), which he will countersign after dealing with the same, and pass to the goods office. The warrant note will have its own machine-numbered folio and reference letter to identify the department from which the warrant was issued, and a space for the progressive number of the document as filed by the goods office. It will have columns for the entry of the description of the stores issued, the quantity, and in some kinds of manufacture it is also necessary to have columns for the number of the job and the purpose for which it is required, both as a guide to the storekeeper and a means of identification for the purpose of costing.*

The Stores Ledger.

As the goods account relating to "stores" is styled the stores account (to distinguish it from the goods account relating to "stock," or goods in condition for sale), the book containing this account is styled the "stores ledger"; an opening, or series of openings, being appropriated to each class of materials. The nature of the manufacture enters largely into the manner in which this ledger is ruled. The account is a valuable one, as it shows to the goods office at a glance the "stores on hand" in the storeroom, and, when compared with the actual stock in charge of the storekeeper, reveals any errors in the keeping of the goods-receiving book. It therefore acts not only as a check upon the invoices with which the society has been debited, but also upon the proper record of the stores issued to production, thus constituting a primary check upon the cost accounts. It also exposes those cases where an abnormal amount of stores have been ordered, unduly cramping the storeroom, tightening the capital, and increasing the burden upon the profits in interest upon the capital value of the stores; and, further, it exposes the inherent vice in the goods through evaporation, waste, or other forms of leakage which will at each balancing period be credited *in weight* to bring the stock to actual weight.† It should be noted that the *cost*

* See page 261. † See page 227.

value of the leakage is a direct loss to the society, and this should be ascertained, in percentages, for the purpose of taking the same into consideration in the cost accounts, or tenders, or estimates for sales.* The stores account should be debited by the goods office with the items of the goods-receiving book,† the necessary cross references being given; and credited with the quantities issued as per the works warrant notes, the stock on hand being extended on each line.‡

The Stock Ledger.

The term "stock," as already shown, is applied to the goods as they come into the warehouse, after production, in condition for sale. The manner of treating the stock account depends largely upon the nature of the manufacture, but the goods produced may be generally classified as special jobs and stock jobs, both classes being divisible into departments. In some factories all goods are special jobs, such as machine building; in others, goods are partly special and partly stock jobs, such as in bookbinding or printing; in other cases all are stock jobs, such as coal-mining, soap-making, gear-cutting, or the manufacture of tobacco and cigars. The departments of the productive society lie along the classification of commodities (see Chapter XI.), which are further classified into varied "makes," such as "Broma" and "Luto" cocoa; into various kinds, such as "strawberry" and "apricot" jams; or different grades, such as are found in flours and sugars. Each of these grades, kinds, or makes should have an opening in the stock ledger, or a separate ledger may be appropriated to each general class, and the accounts should be debited with the goods transferred from production as per output note, and credited with the quantities sold as per sales delivery book. The output note is in the form given on page 228, and should be issued from a book with pages machine-numbered in duplicate, giving the particulars and quantities, stating

* See "Co-operative Book-keeping," page 50.
† See page 226. ‡ See page 227.

whether a special job or stock job is referred to, and in the case of a special job, there should be entered its identification by means of the particulars of name, number of order, date when required, and other necessary details. The output notes should be countersigned by the warehouseman, and passed in to the goods office, where they will be filed on a "Shannon" file, as in the case of the works warrant notes previously referred to, the progressive number entered thereon in the space provided, and posted to the debit of the necessary account in the stock ledger,* the usual cross references being made. The "stock on hand" should be extended into the outermost column on each entry, which can be compared from time to time with the actual stock on hand in the warehouse. Thus the goods office is enabled to check the efficiency of the warehouse, where waste occurs in packing, or (as in the case of stores) where the output is of a nature that such occurs in the warehouse, apart from its operation during production, which of course would enter into the cost account. It also is an excellent check upon over-production, which burdens the profits with heavy interest charges on stock, as well as tightening the capital itself. It should be noted here that only by this means can the output in detail during a period be ascertained, unless a laboured analysis of the stock to begin and to end be made, and adjustment accounts be prepared. The reader should discriminate between *sales*, which are the *value* of goods sold during the period, whether paid for or not;† *turnover*, which is the *bulk* of the goods thus sold; and *output*, the bulk produced, whether sold or not. For example, a soap manufacturing society's comparisons for two half years may be as follows:—

	Output. Cwt.	Turnover. Cwt.	Sales. £
Half year ended June, 1908....	20,000	21,000	75,600
,, ,, Dec., 1908....	21,000	20,000	76,000

The examination of these figures will reveal that, though there is an increase of 1,000 cwt. in the output, there is a decrease of 1,000 cwt. in the turnover, pointing to a much

* See page 229. † See "Co-operative Book-keeping," page 267.

heavier stock in quantity on hand at the end of the year. Again, though the turnover in the second half year is less than in the first, yet the sales show an increase of £400, indicating a greater return upon the goods in selling prices.

Sales.

The first record concerning a sale is the order received from a customer, following up an estimate, tender, or quotation made by the manager, based upon the market prices and the cost accounts. The order is received by the secretary in the ordinary course (see page 51), stamped with the date of receipt, and passed to the manager, who enters thereon the necessary directions to the works or the warehouse, according as the order refers to a special or a stock job. It is filed in the manager's office primarily, and afterwards transferred to the vertical file, as referred to in Chapter V. (See page 160.) In the case of sales, the vertical file should be arranged alphabetically, so that the manager may follow a customer's orders and tastes along a period, thus keeping in touch with him, as well as being able to have the travellers well posted with special instructions. Where travellers are allotted to separate districts a vertical file could be appropriated to each district, the alphabetical arrangement being subservient to the general divisions. Where the order is received in the warehouse or saleroom itself a slip should be immediately made out by the salesman or warehouseman, which is issued from a long book with the pages in duplicate, the top page perforated into slips, and each slip and its corresponding unperforated counterfoil being machine-numbered consecutively. Orders received by travellers should be sent to the office each day from a small manifold book similarly machine-numbered. The salesman's slip, or the traveller's memorandum, will be treated in the same way as the order by letter, as previously mentioned. From these orders, which find their way immediately into the goods office, proceed automatically the directions to the works or warehouse, the packer, and the ledger office. It

is important that the particulars of the order should not be varied as it goes through the departments before the goods are eventually consigned, and by means of a billing typewriter* the order can be typed upon the various documents in one operation before they are distributed. The memorandum slips may be obtained lightly gummed on the left-hand side, the top edges being plumb and kept in position by the aligner of the typewriter, carbon sheets being inserted between the slips before placing them into the machine. The particulars typed through all the slips by means of carbon are the order number, the customer's order number, the date the order was received, the name and address of the customer, the conveyance, and the quantity and description of the goods ordered. The other spaces provided are entered by the various officials or employés upon whom each duty devolves. (See inset, page 224.) The first or topmost sheet (*a*) is the sales note, the second (*b*) the salesman's notice, the third (*c*) the production note, the fourth (*d*) the packing particulars, the fifth (*e*) the packing label, and the sixth (*f*) the warehouse consignment note. The sales note is retained until the goods are consigned, when the warehouse consignment note (*f*) will be passed back into the office and its number inserted at the foot of the sales note in the space provided. It is priced, extended, checked by the goods clerk, and signed by the manager. The departmental analysis of the amount, for the purpose of the sales day-book, will also be entered at the foot of the note in the column provided, and if the manufacture is of a character where a cost account is kept of each job, the job number will be inserted for reference, to which the sale, less empties and discounts, will be credited.† When this has been done the sales note is passed to the ledger office, where it will be treated as a copy sales invoice,‡ the sales invoice number being entered in the top right-hand corner. The salesman's notice will be used in cases where the order has come through a depôt, the prices and extensions also being entered thereon. The

* See plate, page 224. † See page 264. ‡ See page 327.

production note will be issued to the foreman or works manager, who is responsible for the goods through the stages of production until their arrival at the warehouse, and will give him a fair idea of the production required, so that he can arrange his machinery and allot the work to his men; and in the case of a special job, he may make particular arrangements for its completion. The packing particulars are handed to the packer, who encloses the slip with the goods, which the consignee is able to check with the contents of the package on arrival.* The packing label is a guarantee of the proper addressing of the label, the conveyance to be used, and the railway company by which they are to be consigned. The warehouse consignment note is the warrant to the warehouseman to consign the goods specified, who enters thereon the date of consignment and the folio of the carter's delivery book;† and, after signing the note, he will return it to the goods office. The goods office now file the same, enter its progressive number, post to the stock ledger (see page 229), make the necessary cross references, and the requisite entries upon the sales note already referred to. Thus a complete circle is travelled by the documents, the value of which is noted at once; also, in the case of a special job, the order number identifies the goods from the sales slip through the production note, output note, warehouse consignment note, back to the goods office again. The space on the warehouse consignment note for the carriage invoice number is for the cross references necessary in checking the carriage account.‡

The Coal Department.

The methods of distributive societies entering into the coal trade may be appropriately considered in this chapter with reference to the manipulation of the goods. The coal is consigned direct to customers from the station, an employé, styled a check weighman, being placed in control of the department, for whom is generally provided a hut

* See page 190. † See page 196. ‡ See page 196.

near the siding. It is his duty to receive orders either direct or through the office, enter the goods receiving book (see page 200) as the trucks arrive and are weighed, and superintend the work of the carters, namely, the weighing of the loads for the carts, or the bags for the lorries, and their delivery. Each wagon should be given a progressive number as it arrives, and its number, mark, and the place from which it is consigned are entered in the goods receiving book. The orders for loads should be entered in triplicate in a coal ticket book,* each ticket and its counterpart being progressively machine-numbered. He will enter the name and address of the customer, the kind of coal, the weight (gross, tare, and net) which has been ascertained and checked by him, and the number of the truck from which the cart was filled. The carter will give a receipt for the same through carbon in the space provided. The ticket must be handed to the carter with the goods, and the society or the carter are liable to a fine if the ticket is not given to the customer, or if the correct particulars of the weight delivered are not stated thereon. The second sheet is torn at the perforation and sent to the office. In the case of cwt. bags,† he will make out a transfer delivery note (see page 237) for their number and selling price, and receive the signature of the carter on the perforated slip provided. The coal account kept by the goods office is in the nature of a stock account, and is kept in a coal ledger, each folio representing the progressive number of the truck. It is in the form given on page 231, the debits being the particulars and weight of the items on the goods receiving sheet. The credits are entered according to the particulars and weight in the coal ticket book, or the transfer delivery note book. As each truck is emptied, the page referring to it in the coal ledger is ruled off, the balance being inserted to close the account. Thus the leakage on each truck is arrived

* See page 230.

† If more than two cwt. is delivered to any person, whether in sacks or not, a weigh ticket must be given.—(Weights and Measures Act, 1889.)

at, and its value calculated. A summary is made at the end of the balancing period, so as to show the bulk received, the turnover, and the total leakage. It will be seen that a right-hand column is provided, into which the balance in weight can be struck on every entry. Thus the goods office not only ascertain continuously the stock on hand at the siding, but at the date of stocktaking is able to ascertain the value of coal unloaded from the truck, which it is usually impracticable to weigh specially for the purpose.* Coal bags purchased should not be charged to fixed stock account, but written off, on purchase, through the expenses.† A careful check should be kept upon the bags by the check weighman. Each carter should return the same number of empty bags as he takes away full, as the coal is shot from the bag on delivery. Bags becoming unfit for use should be returned to the warehouse. A careful account should be kept of the demurrage due.‡

The Milk Department.

Though societies have not as yet entered to any considerable extent into the milk trade, yet, if properly conducted, a milk department should prove highly profitable, unless prejudiced by an excessive general dividend. Like every other staple article of food, there is a regular and unceasing demand, and the variation in prices is comparatively slight, the period from October to March commanding higher purchase and selling prices than in the summer months. Where farming operations are conducted, the milk department is a natural and convenient outlet for the produce. Care and judgment are necessary in the buying of goods of a quality and quantity to meet requirements, which are affected by weather and holidays, and in the manner in which the milk is accounted for so as to prevent undue leakage, occasioning loss of profit. The depôt manager will

* On account of the necessity of shunting the trucks upon the weighing machine.

† See page 471. ‡ See page 194.

keep a goods receiving book* for all goods purchased; or if they are transferred from the farm, he will carefully file the transfer delivery notes and compare with the transfer invoices received from the goods office, both as to quantities and prices.† A careful account should also be kept of the milk measured out to the salesmen. This is done by means of a daily goods account,‡ kept in a book machine-numbered in duplicate, the perforated page of original entry being sent daily to the goods office. This record will also show the quantities of milk returned by the salesmen, the total deliveries, and the leakage or surplus of each delivery. The deliveries to customers are recorded in a salesman's delivery book,§ each page of which represents a week, columns being provided for the delivery to each customer in the morning and evening. It will be seen that the bottom total of these columns gives the total delivery per day, and the cross totals the weekly quantity for the charge to the customer. The goods office will check the invoices from the goods receiving book in the usual manner, and enter their amounts together with the particulars of transfers and cash purchases (see below) to the debit of a weekly goods account, which is ruled so as to give also the weekly costing of the department.‖ Milk returned to the farm for butter, cheese, or feeding purposes, will be credited in the usual way from the transfer invoice debited to the farm, and this account will also be credited with the quantities delivered as per salesman's delivery book. The net leakage or surplus of the deliveries as per the daily goods account is entered under the items provided, and the difference required to make the goods columns agree will be the *leakage or surplus of the depôt.* It will be seen that the salesman's delivery book is supplied with columns showing the quantity supplied per week, the charges based upon such quantity, and the columns are also provided for the cash and amounts owing. This is required in those cases where the milk bill is paid weekly, the total

* See page 200. † See page 237. ‡ See page 234.
§ See page 233. ‖ See page 235.

of the cash column representing the amount of cash handed over to the cash office and recorded upon the weekly cash sheet.* If, however, cash is paid on delivery, the quantities each day, calculated at selling prices, will represent the cash to be handed over. When a weekly collection is taken, the customer is supplied with a memo. book, in which she records each day the quantity and the price of the milk received. The salesman will sign at the foot of the weekly page in acknowledgment of cash received, also make out the check for dividend, the amount of which should agree with the entry in his delivery book. If there be a discrepancy, a comparison between the two records will reveal it. This plan obviates the use of a detailed invoice or counterfoil receipt in addition to the check, saving clerical labour and giving a firmer check upon the quantities delivered by the salesman. Amounts in dispute and allowed by the salesman will be entered into the column provided in the delivery book, which, added to the amount paid, will agree with the weekly charge. With regard to purchases, if they are made from outside farmers they are generally under written agreement, the vendor agreeing, among other conditions, to pay the carriage, provide the churns or cans, and supply the expressed quantity of fresh milk morning and evening by the usual trains. There are also specified the terms of payment. Where the goods purchased are short of the day's demand, the difference is generally made up by cash purchases from neighbouring depôts, a cash purchase slip† being made out and signed by the seller, and this document is produced in lieu of cash to the cashier.‡ The wages of the salesmen are usually small and inadequate, and are either paid at a fixed rate, or a smaller weekly wage plus a commission on sales is given, a certain portion of the value of leakages being deducted from the total amount. Apart from the question whether such an arrangement for commission less deductions is an evasion of the Truck Acts, it is doubtful whether the course is to be commended. The

* See page 435. † See page 455. ‡ See page 433.

deductions for leakage are not only the cause of irritating disputes, but an incentive to frauds peculiar to this department, such as watering the milk or giving short measure (both artifices rendering the society liable to conviction), and good regular wages may be considered to be a more stable guarantee of the proper attention to business and the "pushing" of trade than a varying commission.

APPENDIX TO CHAPTER XIII.

THE PLAYFAIR PRODUCTIVE SOCIETY.

STORES ORDER NOTE. A 27.

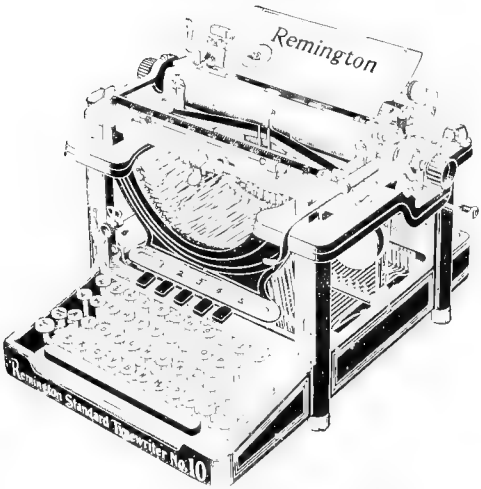
Description.	Contractor (if on contract).	Stores Reference No. or Letter.	Quantity required.	Works Warrant No. (if any).	Remarks.	Purchase Book Folio.
						To be inserted by the manager or his clerk.

Date,.....

Signature of Storekeeper,.....

TYPEWRITERS.

SINGLE KEYBOARD.



Showing the single keyboard.

Showing the aligner and tally-strip for billing purposes.

PLATE XV.

[*Kindly lent by the proprietary companies.*

To face page 271

Order No.

Customer's Order No.

Date.

SLIP A.

SALES NOTE.

THE PLAYFAIR PRODUCTIVE SOCIETY LIMITED.

Name

Address

Viâ

SALES INVOICE No.

EXTENDED BY

CHECKED BY

MANAGER'S SIGNATURE.

QUANTITY.	DESCRIPTION OF GOODS REQUIRED.	PRICE.	PER	AMOUNT.
	Empties.....			
	TERMS..... DATE CONSIGNED.....	Ledger Folio.		
COST ACCOUNT.	ANALYSIS. Department or Section A	.....		
.....	,, ,, B	.....		
Insert "STOCK" or "SPECIAL."	,, ,, C	.....		
	,, ,, D	.....		
SPECIAL JOB No.	Discounts.....	.....		
	Empties	.....		
	No. of Warehouse Consignment Note.			

To face page 224.

Order No.

SLIP F

Progressive No. of Note.

WAREHOUSE CONSIGNMENT NOTE.

Customer's Order No.

Name

Date.

Address

Carriage Invoice No.

Via

QUANTITY.

DESCRIPTION OF GOODS TO BE CONSIGNED.

State whether Stock or Special

Particulars of Empties .....

Date Consigned .....

Signature of Warehouseman .....

SPECIAL JOB NO

Carter's Delivery Book Folio .....

To face page 224

Order No.

Customer's Order No.

Date.

Packer's Initials.

To face page 224.

SLIP E.

PACKING LABEL.

Name

Address

Viâ

Order No.

Customer's Order No.

Date.

Slip D.

PACKING PARTICULARS.

The Playfair Productive Society Limited.

Name

Address

Viâ

Quantity.	Description of Goods.

To face page 224.

SLIP C.

Order No.

Customer's Order No.

Date.

PRODUCTION NOTE.

Name

Address

Viâ

JOB No.

Date required,

.....

QUANTITY.	DESCRIPTION OF GOODS REQUIRED.	OUTPUT NOTE No.	REMARKS.

MANAGER'S INSTRUCTIONS.

To face page 224.

Order No.

Customer's Order No.

Date.

SALESMAN'S NOTICE

(Where the Order has been received through a Depôt).

THE PLAYFAIR PRODUCTIVE SOCIETY LIMITED.

SLIP B.

Name

Address

Viâ

QUANTITY.	DESCRIPTION OF GOODS REQUIRED.	PRICE.	PER.	AMOUNT.

REMARKS.

To face page 224.

THE PLAYFAIR PRODUCTIVE SOCIETY.

B 98

Goods Office No.

WORKS WARRANT NOTE.

Description.	Quantity.	Special Job No. (if any).	Purpose Required.	Costing Particulars.		
				£	s.	d.

Date.....

Signature of Foreman .....

Signature of Storekeeper.....

GOODS RECEIVING BOOK (FOR PRODUCTIVE SOCIETIES).

Stores Order No.	Carter's Delivery Book Folio.	Date.	Consignor.	Consigned from	Conveyance.	Description.	Quantity.	Weight. Gross. Cwt.	Gross. qrs.	Gross. lbs.	Tare. Cwt.	Tare. qrs.	Tare. lbs.	Net. Cwt.	Net. qrs.	Net. lbs.	No. of Empties.	Initials of Receiver.	Examiner's Initials.	Invoice No.	Carriage Invoice No.	Stores Ledger Folio.

STORES LEDGER.

CLASS OF STORES OR MATERIAL .....

Stores Received.			Stores Issued.			
Date.	Goods Receiving Book Folio.	Quantity.	Date.	Works Warrant No.	Quantity.	Stock on Hand.

THE PLAYFAIR PRODUCTIVE SOCIETY.

Goods Office No.

D 84

OUTPUT NOTE.

Description.	Quantity.	State whether Special or Stock.	Particulars of Special Job.	Order No.	Date Required.	Costing Particulars.		
						£	s.	d.

Date.....

Signature of Foreman.....

Signature of Warehouseman.....

STOCK LEDGER.

Class of Stock,.....

Stock Received.			Stock Issued.					Stock on hand.
Date.	Output Note No.	Quantity.	Date.	Delivery Note No.	To Whom Issued.	Quantity.		

PLAYFAIR CO-OPERATIVE SOCIETY LIMITED.

COAL TICKET.

597

Telephone No. 101, *Playfair.*

.....19....

Mr.....

Address in full.....

.....

.....

We send you herewith.....Coal as follows:—

	T.	C.	Q.	lbs.	Price.	£	s.	d.
Weight of Coal and Vehicle.....								
Tare weight of Vehicle.....								
Net weight of Coal herewith delivered to purchaser								

.....*Carter.*

When coal is delivered by means of a vehicle the seller must deliver or send by post or otherwise to the purchaser or his servant, before any part of the coal is unloaded, a ticket or note in this form.

Any seller of coal who delivers a less quantity than is stated in this ticket or note is liable to a fine

Any person attending on a vehicle used for the delivery of coal who, having received a ticket or note for delivery to the purchaser, refuses or neglects to deliver it to the purchaser or his servant, is liable to a fine.

Truck No.....

COAL LEDGER.

Truck No. 127.

Mark.....

From where Consigned.....

Invoice Weight.....

Class of Coal.....

When Received.	Goods Receiving Book Folio.	Net Weight.			Date.	Carter's Name or No.	Coal Ticket No.	Transfer Delivery Note No.	Net Weight.			Balance Weight.		
		Tons.	Cwts.	Qrs.					Tons.	Cwts.	Qrs.	Tons.	Cwts.	Qrs.

When returned.....

Demurrage due.....

MILK DELIVERY BOOK CARD-TAB.

[Attached to outer cover of book, folding over the used pages, and lying directly opposite the Weekly Sheet of Entry (see next page).]

Customer's Number.	Name.	Address.	Share Number.
1			
2			
3			
4			
5			
6			
7			
8			
9			
10			
&c.			
Casual Sales			

MILK DELIVERY BOOK.

Customer's Number.	Mon		Tues.		Wed.		Thurs		Fri.		Sat.		Sun.		Weekly Total.	Charge		Owing last Week.		Paid.		Disputes.	Owing this Week.		Remarks.
	M.	E.	M.	E.	M.	E.	M.	E.	M.	E.	M.	E.	M.	E.		s.	d.	s.	d.	s.	d.		s.	d.	
1																									
2																									
3																									
4																									
5																									
6																									
7																									
8																									
9																									
10																									
&c.																									
Casual Sales.																									
Totals....																									

DAILY GOODS ACCOUNT—MILK DEPARTMENT.

Carter's No.	Name of Carter.	Quantity Received.		Initials.	Quantity Returned.		Initials	Net Quantity.		Delivery to Customer.		Short.	Over.
		Galls.	Pts.		Galls.	Pts.		Galls.	Pts.	Galls.	Pts.	Pts.	Pts.

MILK DEPARTMENT—WEEKLY GOODS AND * COST ACCOUNT.

Dr.							Cr.				
Invoice or Cash Purchase Slip No.	Quantity.		Amount.			Reference.	Particulars.	Quantity.		Amount.		
	Gls.	Pts.	£	s.	d.			Gls.	Pts.	£	s.	d.
							Salesman's Delivery Book :—					
							Monday					
							Tuesday					
							Wednesday ...					
							Thursday					
							Friday					
							Saturday					
							Totals.....					
							Returns to Farm					
†Surplus—							†Leakage—					
‡Salesmen...							‡Salesmen					
Depôt.....							Depôt					
Oncost Charges—												
Carting												
Distributive ....per £ on Sales												
Net Profit							Net Loss....					

* See Chapter XV. † Only to be entered into the goods column.
‡ See page 221.

CHAPTER XIV.

The Goods Office—Transfers and Leakage.

Transfers.

As stated in the previous chapter, each department or shop of a distributive society should be treated as an independent firm in the books of account, not only to ascertain the extent of its contribution to the profits of the society, but also to obtain a test as to the manner in which its business has been carried on. For this purpose a careful record should be kept of all goods transferred to and by the shops. The records should be arranged so as to limit and define each shop manager's responsibility, and such records should be properly confirmed by those responsible for them. Each shop manager is a trustee for the goods for the time being under his own care and control, and accountable for their proper and careful manipulation. Though the sales of his department depend to some extent upon his manner and address in dealing with customers, his power of ascertaining their wants and gauging their taste, the "pushing" of the sales of articles of a greater profit-producing character, the attractive dressing of his window, and the care by which he prevents an undue loss in leakage, yet, as the selling prices are fixed by the general manager, who has also bought the goods, the latter is responsible to the committee for the profits of the departments and shops, and an expert man will not shirk this responsibility. The secretary should arrange for these records to be carefully systemised and confirmed, as it is unfair to the manager that statements of such an unreliable character should be placed before the committee or members as to be an incorrect reflex of the management. The transfers at selling prices also play an important part in the prepara-

tion of the leakage account, and inaccurate statistics have often led to harmful reflections being cast unwittingly upon capable and industrious shopmen.

The Transfer Delivery Note.

Goods supplied to a shop should be accompanied by a transfer delivery note (see page 252) from a book machine-numbered in duplicate, entries being made of the description, quantity, and selling prices. The book should be entered by the warehouseman who consigns the goods as per the manager's instructions, the selling prices being obtained from a book (issued by the Grocery Managers' Association) in which the various commodities sold are printed under an alphabetical index, blank spaces being provided for the entry by the manager of the changes in current selling prices. The warehouseman will hand the transfer delivery note with the goods to the carter, who will sign a perforated slip at the foot as a receipt for them, the latter being detached and retained by the warehouseman. When the carter delivers the goods to the shop manager he takes a receipt from him in his carter's delivery book (see page 196) handing the transfer delivery note with the goods. The shop manager has now the opportunity of checking the articles, noting the selling price at which he has to sell them, and fixing his price tickets and cards accordingly. He also checks the transfer delivery note with the transfer invoice which he will receive in due course from the goods office. A similar book will be supplied to every shopman for the return of goods, empties, &c., for which he is entitled to deduction upon the next transfer invoice. Two sets of books, one for each alternate day, will be of value to the warehouseman, one set being passed into the goods office daily.

The Transfer Invoice.

The goods office, each day they receive the transfer delivery books from the warehouse, will make out from their duplicate pages the charge to the shops for goods supplied, both at selling and cost prices, by means of a

transfer invoice. This should be confirmed as to prices and checked as to extensions before issue. The transfer invoices are issued from a book machine-numbered in duplicate.* Columns are provided for the cost† and selling prices and extensions of each, but as the cost prices are considered to be of no concern to the shop manager, only the selling prices and extensions are usually entered upon the original or perforated sheet.‡ Though this is the usual method, yet it is a matter of opinion whether it would not be an advantage to give the shop manager the opportunity of checking his own transfer invoices at cost as well as at selling prices, as it may be argued that the knowledge of the cost prices will not only interest him in the profit-making capacity of his own department, and make him a more competent shopman, but also enable him to check the item referring to the supplies to his own shop in the trade account.§ It will also give him a comprehensive knowledge of his work, that will serve him in good stead if he attains eventually to the position of a general manager. The arguments that have been urged against this course are the general manager's objection to his buying capabilities being criticised by his shopmen, and that information regarding the price of goods bought would not be sufficiently guarded. With regard to the former argument it might be suggested that a good man need not fear criticism, and as to the second, the nature of co-operative retail trade, and the publicity given to its accounts, especially in the detailed trade account, renders such susceptibility of little account. The transfer invoice is sent by post to the shop manager, who will in his own interests compare its entries with the transfer delivery note, also checking the extensions as he knows that he is charged with their amount at selling prices

* See page 253; also "Co-operative Book-keeping," page 67.

† That is to say, the purchases invoice price. See page 190.

‡ Some societies extend the duplicate only, requiring the shopman to extend the original and return for comparison, but it is better for the shopman to retain the particulars of the charge made against him by the goods office.

§ See "Co-operative Book-keeping," pages 69 and 287.

in the leakage accounts kept by the goods office. *The cost price extension* is the charge against the shop for purchases in ascertaining the profit made by the shop during a balancing period.* Returns, whether goods or empties, which are entered from the transfer delivery notes issued by the shopman, produced by the carter to the warehouse with the goods and passed into the goods office, will be deducted at the foot of the succeeding transfer invoice.

The Goods Account.

It will be seen that in our discussion of the manipulation of goods during the process of manufacture reference was made to waste as one variety of leakage, and its effect upon the goods account. In the distributive society, leakage in its various forms is one of the most important factors in the calculation of the gross profit upon goods. Laying down the principle that the goods should be accounted for as is done in the case of cash (a principle which is not yet sufficiently emphasised), it follows also that the goods account should be kept in terms of quantity or weight, and balanced with stock on hand (see page 214) even as cash is balanced in terms of pounds, shillings, and pence. If the society dealt only in one class or a few classes of commodities, as in a productive society, the course would be a practical one, but the numerous articles dealt in, and the multiplicity of items of a petty nature to be recorded, make a goods account in a distributive society practically impossible.† A substitute for the goods account must therefore be found, which will gather all the items in one measure, by the use of a calculation based upon a constant ratio. This is found in the selling price or the basis upon which the sales are effected. The invoices for goods bought are charged to the warehouse‡ at the selling price, or the

* Where the transfers are from a productive department they are at wholesale prices, *i.e.*, the cost price plus the productive profit. (See Chapter XV.)

† See "Co-operative Book-keeping," page 51.

‡ It might be suggested that as goods passing through a warehouse of any size are in bulk, a goods account ought also to be kept for each important class of commodity.

prices fixed by the manager upon which he expects to obtain the required gross profit upon his purchases,* supplies being credited to the warehouse and charged to the shops at these prices. The goods should proceed from the warehouse in as distributable a condition as possible, saving shop space, the shopman's time in serving, and anticipating a reasonable amount of leakage, such as is occasioned by the breaking up and the packing of sugar, rice, &c., into bags of various weights, flour into dozen pounds, and so forth. By this course many pounds have been saved by a society through centralising certain sources of leakage, for if the duty were placed upon the shopman it would place the society at the mercy of the careless assistant, and may also hold before him the temptation of mixing an inferior article with the better quality, either to improve the leakage account or conceal errors, whether of accident or design. The shop manager, thus debited with goods received and stock to begin at selling prices, is credited with his sales (which of course are at selling prices), and also his stock to end on the same basis, the difference being the leakage. The leakage account is of no comparative value unless the goods are sold by all the shopmen at uniform prices, namely, the prices fixed by the manager, at which the goods are charged up to them, or if any changes are made, the same duly noted and embodied in the account.

Leakage.

Perhaps there is no subject concerning which more incorrect data for comparison is available than leakage. Experience has taught that where expert grocery managers are gathered together, on this topic more than any other, a great disparity of view exists.† The secretary, therefore, will be well advised to have the basis upon which each class of goods is charged up to leakage accounts carefully settled

* See "Co-operative Book-keeping," page 83.

† The secretary is advised to read "The Incidence of the Leakage System on the Co-operative Employé," by A. Hewitt, General Secretary of the Amalgamated Union of Co-operative Employés.

PLATE XVI

MECHANICAL DICTATION.

Receiving, taking down, and typing.

Dictating by telephone.

Kindly lent by the National Telephone Co. Ltd.

To face page 240.

by the committee in consultation with the general manager, and, in the exercise of a wise discretion, refrain from interference. Leakage is the effect of a variety of causes. It is occasioned by waste in the breaking-up and distribution of bulk into small quantities such as in sugars, cheese, and treacle; the slight overweight given by the draft of the scales; the inherent vice in perishable articles by loss or depreciation, or in provisions by evaporation and shrinkage; or by the fact that portions of certain articles are unsaleable, such as the wood of tobacco rolls and the bones of hams and bacon. The fall in the market value of goods is not leakage, but an ordinary trade loss, not affecting the goods when the retail price is lowered, allowance being made for this as referred to above; nor are allowances to be regarded as leakage, which are given for special reductions in prices upon such articles as hams or bacon* (certain portions of each piece commanding a greater selling price than others); nor the allowances given to customers, when purchasing larger quantities of the same article, such as sugar in four pound lots (instead of single pounds), syrup in two pounds weight, and feeding stuffs and other offals in complete bags.† Goods should be charged at net weights, and parcelling paper and twine, though charged in the transfer invoice at cost prices for the trade account, should not be entered into the selling column for the purposes of the leakage account. Empties should be charged at cost price in both columns, and their number noted in a space provided in the transfer invoice. Butter paper, provision paper, fruit paper, and bags, are usually weighed with the goods, and leakage accounts are often prejudiced by the fact that if charged at cost price the shopman thus gains, as to their weight, the difference between the cost price of the paper and the selling price of the goods with which they are weighed. Many societies

* The usual custom is to charge at a price a halfpenny below the top selling price for the best end, this being the price at which the whole piece uncut could be sold.

† Usually 3d. per bag.

surmount this difficulty by charging these articles at the price of the commodities for which they are provided, and thus the shopman may be tempted to give an insufficient draft, or substitute a heavily loaded paper, if he is anxious to reduce his leakage. It is illegal to include the paper in the weight charged for, and impracticable to do otherwise, except by giving a liberal draft to make up the difference. The society might consider it a better plan, therefore, to treat this class of paper similarly to parcelling paper, and omit to charge to the leakage account at all, rather than to run the risk of being caught by the wary Government inspector. It should be noted that *leakage accounts are only of comparative value, so far as the shopmen are concerned*, and if this course be adopted as a uniform method, it will be fairer to the member and shopman alike. It will also be beneficial to the society, for careful housewives weigh their goods on receipt, and there is nothing that will prejudice the customer more than short weight, or bare weight without a draft. Most of the objections raised against the leakage account have been founded upon wrong premises, but neither these arguments nor unreasonable methods of working the account can discount the value of the principle. Through inaccurate and unreasonable calculations, the leakage account has been a temptation to the shopman to stoop to unscrupulous methods, rather than a means of helping him to be efficient and careful in his position. For instance, special allowances are often claimed credit for, which should be thrown into the balance of leakage, and the account then loses its value, as any fitful generosity or general favouritism of the manager or warehouseman, or the carelessness of certain shopmen to make immediate claims, combined with the persistence of others, has dangerous results. The proportion of provisions sold as compared with groceries varies in each case and where a *maximum rate of leakage is fixed* it is a clear incentive to the shopman to be smart in the wrong sense, such as to give short weight, make surcharges upon goods by selling an inferior article at the price of a

better quality, mix two qualities of goods, or inflate his stock or debts at the time of stocktaking. The generally accepted margin of 3d. per £ on sales as a reasonable limit of leakage is really no guide, as there is no specially tabulated record of the proportion of groceries to provisions or offals, or to the extent which special allowances for leakage have been granted by the manager. In societies where such allowances are made and credited, the constant demand for petty concessions makes the leakage account a source of annoyance, and will prejudice any value in the results. The penalising of shopmen by means of leakage bonds is not only unfair but an incentive to unscrupulous methods, and it is difficult to enforce such penalties in an action at law. Most of the emphasis laid upon the leakage account has arisen out of the fact that frauds upon the check system have been committed, and improper statements of accounts owing submitted at the date of stocktaking. In the former case, if money be appropriated by the shopman, his credit for sales is reduced and his so-called leakage inflated, but the remedy is not in the leakage account but in the adoption of a complete and satisfactory system of check upon cash received; and where credit is given, in the abolition of the shop ledger and the substitution of an office record of the sales and balances owing. The leakage account should be kept strictly and simply according to first principles. *It should be freed from the maximum rate.* No credit should be given except for the weight or quantity of goods actually returned and accepted by the warehouse, and at the value at which they were charged; and no allowances should be given except for concessions actually given to the customer in the sales, upon the selling prices (see page 245) which, as already explained, are not leakage. The warehouse leakage account* should be as carefully made out as those of the shops, and the transfers and prices confirmed systematically by independent parties so as to prevent collusion between the warehouseman and the shopman,

* See footnote, page 239.

for the warehouse, on account of its greater turnover, can stand a large item of leakage which to the shopman would be fatal. The issue of the transfer invoice by post from the goods office completes the circle of check upon the goods as delivered from the warehouse, for the comparison by the shop manager of the same with the transfer delivery note in his own interests acts as a verification of the record and manipulation of the goods both by the warehouseman and the carter.

The purpose of a Leakage Account.

The whole question of leakage hangs around the purpose for which a leakage account is kept. The intention is primarily to verify the quantities of the stocks to end as stated on the stock sheets (see page 296), and therefore an apparently small leakage may really be more dangerous than a large one, as the stocks, by being inflated, may cause the society to pay dividend out of capital. If the stocks are carefully verified, the leakage account may then be taken as a general but not a particular guide as to the care with which the shopman has manipulated his goods.* A surplus in a leakage account should be specially inquired into. It is no occasion for congratulation (as is sometimes supposed), for it is impossible to pay out more goods than you receive. It shows either (*a*) an error in the account itself, or (*b*) the inflation of the stocks to end, either in quantity or extensions, or (*c*) the understating of the stocks to begin, or (*d*) that the shopman has overreached himself in his anxiety to clear himself of some unrevealed discrepancy in manipulating his goods. The leakage account in the first place shows to the management the *selling value of the loss through leakage*,† that is to say, the value of the quantity of goods bought on which there is no return through sales. It thus gives to the manager the percentage to be allowed therefor in fixing his selling prices to obtain the requisite gross profit to cover expenses and the usual and uniform dividend. In the

* See "Co-operative Book-keeping," page 50. † *Ibid.*

second place, the rates of leakage of each shop may be examined *over a course of several periods* as a guide to the comparative efficiency of the shopmen. The rate of total leakage including the warehouse may be compared with that of other societies, but there is no value in a comparison in detail, on account of the extent to which the warehouse in each society centralises certain sources of leakage. (See page 240.) Leakage accounts can be kept for every department and shop in which the goods are received in condition for sale. In the case of the coal department a goods account can be kept* which is of course the simpler method. In the case of quasi-productive departments,† a leakage account can be kept if combined with the cost account for the production.‡ The exception is in the butchering or fleshing department, where the shop manager on account of the nature of the goods, is allowed to fix and vary his prices according to the portion and character of the meat sold. The weekly cost account§ will at once reveal extraordinary leakage, and cause immediate investigation.

Variation in Selling Prices.

After goods are charged to a shop, it often happens that an advance or reduction in their selling prices is made by the manager to meet changes of the market; and unless these are noted in the transfers, the leakage account ceases to be a record purely of leakage. As advantage may be taken if such information leaked out, a manager generally intimates to his clerk the change in prices towards the close of office hours, so that the latter has just time to communicate to the shops by 'phone. The moment the shop manager receives notice of the advance or reduction he takes stock of the commodity referred to, and fills up a "change in prices note" (see page 258) extending the claim for reduction, or charge for advance, as the case may be. The new prices now obtain in the shop, and the notices and tickets (if any) showing the altered prices displayed accordingly. The

* See page 218. † See page 265. ‡ See page 210. § See page 267.

notes are sent immediately to the goods office. A similar record is taken of the stock of the same commodities in the warehouse and debited or credited to the warehouse leakage account, as the advantage or disadvantage thus gained or suffered is compensated for when such goods are subsequently transferred or taken into stock at the new prices. The change of prices notes are kept separate from the transfer invoices, as they are "single entry" charges or credits. That is to say, they are debited or credited to the department concerned only, no corresponding credit or debit being required for the warehouse. They are summarised separately from the leakage ledger, and entered in total in the columns provided in the leakage account. The change in prices notes for drapery or similar departments are dealt with in a rather different manner, a weekly sheet being entered by the shop manager, authorised deductions on actual sales only being entered, and in addition to being credited in the leakage account, they are allowed for from the depreciation fund,* stocks being taken at the cost and selling prices originally fixed.

The Leakage Ledger.

The duplicate pages of the transfer invoice book are now posted to the leakage ledger, both as to their cost and selling totals, and much time and labour is saved by allotting a separate transfer invoice book to each shop, this course materially assisting in scrutinising details and detecting errors when the detailed trade account and leakage account, as made up at the close of the balancing period, reveal results requiring investigation. A separate leakage ledger* is generally appropriated to each department, and an opening in each is allotted to each shop of the department to which the ledger refers. The columns provided are for the transfer invoice number, the selling and the cost† values, a continuous total being made of each to the end of the half year.

* See page 492.

† See page 254. The cost prices are required for the trade account.

Only one posting of each invoice is necessary, as the grand total of all the debits must be a credit to the warehouse, seeing that all goods that go *to* the shops by transfer must necessarily be supplies *from* the warehouse. When goods are received direct by the shops a goods receiving book is entered by the shopman who receives the same, the original sheet of entry being sent in the ordinary course to the goods office, where it is treated in the ordinary routine as if the goods had come to the warehouse,* and the charge made therefor on the transfer invoice from the particulars stated thereon. In such a case the shopman obtains the selling prices at which he has to sell the goods from the transfer invoice, as no transfer delivery note has been required. It will be noted that there are no items to be posted to the credit of the shops for returns or allowances, as they are deducted from the succeeding transfer invoice,† therefore all the entries in the leakage ledger are charges to the shop concerned. The first opening in each ledger is reserved for the warehouse itself (which in the accounting should be assumed, even if not in actual existence). To this account are posted the trade invoices of the department, from the selling prices extended by the goods office upon the invoices, the invoice number being entered in the column reserved for the transfer invoice number. No entry is necessary in the cost column, as the cost of the goods bought has been charged to the warehouse or department in the purchases day book.‡ Separate openings should be allotted to the warehouse for the wholesale societies' invoices and the private invoices, as these are separately registered and filed by the ledger office.§ A separate folio in each leakage ledger should be also appropriated for the transfers to the debit of expenses, such as (in the case of the grocery department) provender for the stable, or soap for cleaning. These are included in ascertaining the total credit to the warehouse. At the end of the balancing period the totals are

* See page 189. † See page 239. ‡ See page 311.
§ *Ibid.*

struck, ruled off, and summarised on leakage summaries,* the debits of each department being credited to the warehouse, whose debit will be the selling price of the invoices as entered on the opening pages of the leakage ledger. The stocks to begin and to end are entered at selling prices,† the stocks to begin being abstracted from the leakage summary of the last period in which they appeared as stocks to end. The credits for the shops are entered as per particulars of sales given by the check office,‡ the credit for the warehouse will be the selling price of the transfers from the warehouse (including transfers to expenses), and the rate per £ of leakage calculated thereon both in detail and in total. The leakage summary should now be produced to the committee, with the manager's remarks thereon. Separate summaries should be kept of the other departments.

Bakery Transfers.

The bakery is an adjunct to the grocery department, and in all up-to-date societies is treated separately from the retail departments. A retail shop identified particularly with it is styled the confectionery department, which is treated apart from the bakery, and similarly to the retail shops. The same applies to cases where the goods are sold in a van round, which will also have a separate line in the trade account of the balance sheet.§ The bakery may be treated as a separate warehouse as far as goods are concerned, the purchase book, goods-receiving book, &c., being kept in the ordinary way (see page 188), or the grocery warehouse may supply the requirements of the bakery by means of the transfer delivery note, the transfer invoice being made out and charged in the usual manner. It will be noted that the selling prices are only required for the purpose of crediting to the warehouse leakage account, as it has been charged with the selling value of the goods purchased. In the former case, the invoices will be analysed to a bakery

* See page 255. † See page 240. ‡ See Chapters XXI. and XXII.
§ See page 580; also "Co-operative Book-keeping," page 287.

column in the invoice book,* and the usual stores account will be kept as between goods bought and issued to production.† In the latter case, the warehouse leakage account acts in lieu of the stores account, as the warehouse only issues the stores as the production requires. The credits to the bakery department are purely by transfer as the sales are made by a confectionery department or through the grocery shops. In the former case, a transfer invoice is entered against the confectionery department at wholesale and retail prices, the latter being required for the purpose of the confectionery leakage account. The bakery is only entitled to the productive profit,‡ as distinguished from the distributive or retail profit, which is reserved for the confectionery or grocery shops. The wholesale prices, therefore, of the goods thus transferred should be carefully fixed according to the prices that rule in the market, or at the retail price less a discount to allow for the retail profits. These prices will be the charge against the shops and in favour of the bakery, and will be entered in the cost column of the transfer invoice as stated. Where the sales are made through the shops it is better to treat the transfers as to the grocery warehouse, the transfers to the shops being treated as consignments therefrom. This will not entail much additional clerical labour, as the inward transfers to the warehouse will be in bulk, instead of small parcels as in outward transfers. Two advantages are thus gained, for the grocery leakage ledger remains self-contained (that is to say, the total of all the debits to the shops and expenses are the credit to the warehouse) and there is a better check upon the output, as the warehouse leakage account acts also as the stock account of the bakery,§ and the transfer delivery note takes the place of the output note. Where the sole channel of the goods is a van round (an excellent plan on account of the nature of the goods) no output note or stock account is necessary, as the output is arranged to meet the requirements of the van round. A transfer delivery

* See page 311. † See page 213. ‡ See page 326. § See page 214.

note is given to each vanman with the goods allotted to him, and charged up to him through a transfer invoice in a leakage account of a special form.* In this account he is debited with the wholesale and retail prices, and credited with the returns for sales as obtained from the check office, thus exposing his leakage (if any). He is entitled to a deduction for returns to the bakery of goods unsold, particulars of which he will give from a transfer delivery book in his own possession, a receipt being given through carbon by the baker each day to prove its accuracy. Credit for these will be given upon the transfer invoice referring to the day's debits. The columns are continued to the end of the balancing period, the wholesale prices being the debit for transfers to the van, and a corresponding credit to the bakery in the trade account.† By means of the debits at selling prices it will be seen, in examining the account, that the leakage will be ascertained on each van for each day and in total for the half year, the column "credits" agreeing with the sales of the department as compiled by the check office for the balance sheet.

Summary of Transfers.

The cost prices of transfers to the shops in the leakage ledgers represent the purchases of goods which, sold at selling prices, obtain the required gross profit to pay the expenses and contribute to the general net profits for dividend. They have columns allotted to them in the trade account, both to the credit of the warehouse of each department and to the debit of the shops, and the totals of the debits and credits should agree. The transfers to expenses are included in the credit to the warehouse, but, as they are not debits to the shops, they are entered at the foot of the debit transfers in the trade account, so as to show the agreement of the totals, and, as they represent transfer invoices served upon the ledger office, they are debited by this office in analysis to the expenses adjustment account as transfers

* See page 256. † See page 584.

thereto.* The transfers are now summarised in the form given on page 257, the bottom totals agreeing with the cross totals in grand total, thus proving the clerical accuracy of the summary. The adjustment is now made of the loss on the warehouse trade account,† and the amount added to the warehouse credit transfers, and deducted proportionately from the debit transfers to the shops. This represents the carriage, less dividends and discounts, and the warehouse leakage at cost value, the warehouse having no profit from which to recoup these charges and the warehouse expenses.‡ The summary is now handed to the secretary for entry into the balance sheet. The bottom totals are entered by him to the debit side of the detailed trade account, and the cross totals to the credit, in the columns provided. A comparison of the results of the previous period is a good guide to the proper posting of these amounts, for if they do not vary proportionately to the sales, it will at once suggest to the goods office either (*a*) goods transferred unrecorded; or (*b*) excessive stocks to begin or to end; or (*c*) abnormal leakage; or (*d*) errors in the additions of the leakage ledger; or (*e*) overpricing or underpricing of the transfers.

Weights and Measures.

The question of weights and measures is one which lies within the region of the manager's responsibility and control. Yet in this chapter a brief reference should be made to the fact that inaccurate weights or measures materially affect the profit-making capacity of goods, and will also substantially affect the leakage account. In the case of provisions, and particularly in the butchering department,§ leakage in pricing may occur through the natural inability to gauge exactly, in cutting, the weight required by the customer, and computing the charge. The computing scale (page 416) has been found of value in preventing this class of leakage arising from overweight.

* See "Co-operative Book-keeping," page 280; also page 247.
† See page 580. ‡ See page 537. § See page 267.

APPENDIX TO CHAPTER XIV.

R 24.

TRANSFER DELIVERY NOTE.

Delivered from .....

to .....

REFERENCE TO TRANSFER INVOICE .....

Empties.	Description.	Quantity.	Selling Price.

.....

RECEIVED THE ABOVE GOODS:

R 24.

.....*Carter.*

TRANSFER INVOICE.

Goods sent to.....from Grocery Warehouse. Date.....

Transfer Delivery Note No.	No. of Empties.	Description.	Quantity.	Selling Price.		Selling Value.	Cost Price.		Cost Value.
				@	Per		@	Per	

LEAKAGE LEDGER.

Debits to .....

Date.	Transfer Invoice No.	Selling. £	s.	d.	Cost. £	s.	d.	Date.	Transfer Invoice No.	Selling. £	s.	d.	Cost. £	s.	d.	Date.	Transfer Invoice No.	Selling. £	s.	d.	Cost. £	s.	d.	Date.	Transfer Invoice No.	Selling. £	s.	d.	Cost. £	s.	d.
Fwd.								*Fwd.*								*Fwd.*								*Fwd.*							
Fwd.								*Fwd.*								*Fwd.*								*Fwd.*							

LEAKAGE SUMMARY.

GROCERY DEPARTMENT. Half Year ended.....19....

ALL ENTRIES TO BE AT SELLING PRICES.

DEPARTMENT	Stocks to begin.	DEBITS.			Total.	Stocks to end.	CREDITS.			Leakage.	Rate per £ on Sales.
		Purchases.	Transfers.	Advances.			Sales.	Transfers.	Reductions.		
Warehouse ..											*
Central											
Branch 1....											
2....											
3....											
4....											
5....											
6....											
7....											
8....											
9....											
10....											
Total											

* On Transfers.

Manager's Remarks.

Committee Meeting held.....19....

.....Chairman.

VAN LEAKAGE ACCOUNT.

Van No.....

Date. 1909.	Transfer Invoice No.	Wholesale Values.	Retail Values.	Sales.	Leakage.
Feb. 1..					
2..					
3..					
4..					
5..					
6..					
7..					
8..					
9..					
10..					
11..					
12..					
13..					
14..					
15..					
16..					
17..					
18..					
19..					
20..					
21..					
22..					
23..					
24..					
25..					
26..					
27..					
28..					

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The letter to be copied is inserted between two rubber rollers, and on a revolution of the handle the impression is taken on a continuous roll of self-damping tissue paper, the original letter passing through into the right hand wire basket. The copies are then wound on a drum below for drying. To detach the copies, the paper is brought back, and passed under the guillotine (on the top of the copier) and cut to the required size.

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PLATE XVII.

To face page 256

TRANSFER SUMMARY.

	Grocery.									Drapery.						Bakery.			Van.			Expenses.			Total Credit.		
	Branch 1.			Branch 2.			Branch 3.			Branch 1.			Branch 2.														
	£	s.	d.	£	s.	d.	£	s.	d.	£	s.	d.	£	s.	d.	£	s.	d.	£	s.	d.	£	s.	d.	£	s.	d.
Grocery Warehouse.....																											*
Drapery Warehouse.....																											†
Bakery.....																											
Farm																											
Total																											
‡Warehouse Loss. Grocery.....																											*
Drapery																											†
Net Transfers....																											

The headings of this account will be of necessity varied if other departments are affected by the transfers.

*† These together are the credit to the Grocery and Drapery Warehouses respectively. ‡ See page 251.

THE PLAYFAIR CO-OPERATIVE SOCIETY LIMITED.

CHANGE IN PRICES NOTE.

Branch..... Department..... Date.....19....

Quantity in Stock.	Description.	Old Price.		New Price.		Advance.			Reduction.		
		a	per	*a*	per	£	s.	d.	£	s.	d.

.....Shop Manager. .....Manager.

CHAPTER XV.

The Goods Office—Cost Accounts.

Production.

Where production is involved in the manipulation of goods as between the purchases and the sales, goods accounts or leakage accounts are of no value except so far as the stores and output or stock are concerned, in which cases they are kept as between the purchase and issue of stores on the one hand, and the output and turnover on the other.* Leakage in the actual production is part of the cost of production. For example, the loss in cutting paper for books and other printed matter, or the useless portion of the offals of grain in the preparation of flour. The gap as between the issue and the output is supplied by means of cost accounts, which at the same time give a basis for the fixing of the price, in giving an estimate or tender ; or where prices are fixed by the market, the profit or loss on such prices. It is a trite saying with regard to British methods that we have a happy knack of blundering through difficulties, whether in trade or otherwise ; and costings in past years were, if they existed at all, based upon guesswork or haphazard estimates. That day, however, has happily departed. The stress of home and foreign competition itself, in estimates and tenders for orders, has reduced margins to such an extent as to compel the manufacturer to lower selling prices, and consequently save on the cost by greater efficiency in labour and management, and in the use of up-to-date plant. He has also had to look to an increased turnover for his bulk profit, or, to quote an Irishism, "We

* See page 210.

lose on every article, but we make our money on the number that we sell." Though this may appear facetious, there is much solid truth in the phrase, and many an intelligent reader will see reflected therein a ready argument for co-operation. Cost accounts, therefore, are now the rule, and not the exception, and have a further advantage of preventing the results of the balancing period being a matter of speculation prior to the compilation of the balance sheet, bringing with it the worry and anxiety which follows lack of knowledge. It would appear from this argument that to save expense to meet the keener competition in prices, any charges in the nature of non-productive labour, such as is brought into requisition by the keeping of accounts, would be reduced to the smallest possible limit. Yet the opposite is the case, for by such non-productive labour is revealed the channels of waste and discrepancy through which the profit may leak away faster than it is made; and thus it becomes the eyes and ears of the management. The cost of such labour, calculated upon the increased turnover, the result of the increased efficiency, may really work out at a less percentage in the latter than in the former case. In cost accounts it is most difficult, if not altogether impossible from a practical point of view, to discover an equation of method that might be universally applied. To prepare cost accounts for a special kind of manufacture, and the peculiar circumstances regarding it, generally requires the particular advice and knowledge of an expert, accompanied by an organisation of method and routine arranged by him. Nevertheless we will endeavour in this chapter to lead the inquiring student along the main avenues of thought and practice with regard to costing, hoping that the general outline given may be of value to him as a basis for the particular application he desires.

Prime Cost and Oncost.

The charges upon an article prior to its being put out in condition for sale as "output" may be divided under two

heads, styled "prime cost" and "oncost." Prime cost may be defined as the charges which are *particularly* incurred in the production of manufactured goods, and which are consequently directly charged thereto. Such are the raw materials, packing requisites, and productive labour. The oncost, or indirect charges, are those for superintendence and other salaries of management, upkeep of the office and warehouse, depreciation of buildings and plant, interest, bad debts, and waste and depreciation in storing and stocking.* Prime cost varies directly with the production, whereas the percentage of oncost is usually reduced as the output is increased.

Stock Jobs.

Where all the production is for stock,† the costing is somewhat simpler in character and requires less clerical labour. The cost accounts are made up weekly,‡ each representing the department of production or class of commodity produced.§ The prime cost is threefold in character, representing the cost of the raw materials, packing sundries, and the productive labour. Packing sundries are stores issued for packing, such as boxes and wrappers for soap tablets, but not including empties for consignment, which are charged up separately upon the sales invoice.‖ The particulars of the issue of the stores of raw material and packing sundries are obtained from the works warrant notes,¶ which are priced in the costing column provided, the price being based upon the purchase price, including carriage, less discount and dividend. These columns may be further elaborated to show the cost of the various classes of stores used in the production. The productive wages are obtained from the weekly wage sheets.** The oncost requires careful calculation, and is based upon the experience of the last or corresponding half year, or a series of balancing periods, according as to which course is the more equitable,

* See page 210. † See page 214. ‡ See page 281. § See page 182. ‖ See page 329. ¶ See page 225. ** See page 346.

taking into consideration the special circumstances attending the current half year's working. The calculation is according to the percentage that the oncost bears to the prime cost, and not worked out upon the sales. It will be seen from the specimen given* that the bulk output is obtained from the output notes,† and by estimating its value at net selling price (that is to say, free on rail, less discounts) the net profit can be estimated; also the average cost per cwt. of the output. There are also spaces for showing the increase or decrease of output to date upon the corresponding period, the increase or decrease of output and increase or decrease of the cost per cwt. as compared with the previous week, the total cost to date, the total estimated value of output to date, and the net profit to date. It should be noted that the value of output is not necessarily the amount of the sales during the week on account of the variations of stock on hand, output and turnover not being synonymous terms.‡ The examination of the cost account will be of valuable assistance to the manager, for the estimated total of cost, net profit, and selling value of output can be compared with the trading account when the balance sheet is prepared, and act as a test of its correctness, or inversely a test of the method on which the cost account has been compiled. As the cost account is an estimate, it will not necessarily agree with the trade account in figure correctness; nevertheless, a material discrepancy should be carefully investigated.

Work in Progress.

It will be understood, in cases where a series of processes are involved in the production, that at the end of the week which the cost account covers, stores will have been issued and wages earned for work which has not yet expressed itself in the output. Similarly, the output will include work for which stores and wages were expended during the previous week. Therefore consideration must be taken in the cost account for the value of this—one of the most difficult

* See page 281. † See page 228. ‡ See page 215.

estimates to make, and generally requiring the expert knowledge of the manager. Yet this duty in itself has an enormous advantage in ensuring his weekly personal observation of the plant, the methods and processes connected therewith, and the examination of the work of the employés in the various stages of the production. The valuation of work in progress, whether in materials or labour, can be so methodised, in the course of experience, as to cause the minimum of labour and trouble, and yet gain a satisfactory estimate for costing. To elaborate upon this subject would mean to give a description of various classes of manufacture which in this work is unnecessary, if not impossible by reason of space. The work in progress, however, enters into the calculation of prime cost, and indirectly into that of oncost. The value at the end of the week will be deducted in analysis from the columns of prime cost in the weekly cost account, the last week's values being added thereto, in order to get the definition of prime cost as compared with the corresponding output. In the calculation of oncost, also, the basis will not simply be the lines in the trade account referring to the purchase of raw materials and other stores and productive wages. To these figures will be added the work in progress and stores included in the stocks to begin, the corresponding figures in the stocks to end being deducted. Where in some manufactures each day's output represents the work of the day, or even when in some classes of machines the capacity or production of output is constant, the work in progress may perhaps be ignored for the purposes of the cost account, presuming always that the stores issued are strictly according to immediate requirement.

Special Jobs.

Where the goods are of such a character that they are made to order, then all the jobs are treated as special jobs, and orders for stock go through the same routine as if they were special jobs. The foreman or works manager files the

production note* upon a "Shannon" file,† the order number becoming also the number of the job. He issues to the storekeeper a works warrant note‡ for the required materials, entering thereon the number of the job. He now allots the work to a workman, or a ganger over a series of workmen, who is responsible for the work until it is passed by the works manager and consigned to the warehouse as output, the output note§ also bearing the number of the job. The methods of recording the time spent on a job is explained in chapter XIX. on wages,|| and from the works warrant note, the job card, and the output note, is compiled the job note by the costing clerk of the goods office, a job note being allotted to each job. The ruling and printed matter upon the job note varies according to the nature of the business, but the skeleton outline given on page 282 may be a guide as to the method of entry. The rates of oncost are charged upon the prime cost. The selling price is also added, where an estimate or tender has been given (the reference folio to the same being given), or if no price is fixed, then the percentage added for profit according to the instructions of the manager. Every job note should be in duplicate, so that the carbon copies of the prime cost may be retained by the works manager as a guide in subsequent work of a similar character, but the oncost and profit should only be entered on the original sheet, as the information is generally kept private by the goods office. In fact in some manufactures the manager himself enters the oncost charges, selling price, and profit so as to keep in absolute touch with the production of each order, and its profit-making power. A summary¶ of the job notes should be made each period to prove the accuracy of the costing and the extent to which certain classes of jobs have penalised the bulk profit. This course requires much painstaking labour, and on this account is often discarded; nevertheless the information gained thereby is of doubtless value. The summary has the

* See page 217. † See page 16. ‡ See page 225.
§ See page 228. || See page 342. ¶ See page 284.

further advantage of giving the value of the work in progress at the time of stocktaking, or the material and labour expended upon uncompleted special jobs.

Quasi-Productive Departments.

Where distributive societies enter into productive enterprise it is usually in what we may style quasi-productive departments, or departments which in their general nature are distributive, dealing in articles which may be required by the consumer either in their present form, or in some special distributable form, such as flour as bread, cloth as dresses or suits, or meat in joints and cuts. Under this head therefore may be classed such departments as baking, butchering, boot repairing, millinery, and dressmaking. The distinction can only be broadly drawn, but it may be suggested that there is more than a subtle difference between the production of flour from the grain and the preparation of the flour in the form of bread and cake by the act of baking and cooking. At the same time the productive nature of these enterprises renders the introduction of cost accounts necessary, to take the place of goods and leakage accounts.

Bakery Cost Accounts.

Bakery production comes under the heading of "stock jobs," the production being of such a perishable character that the output is made to meet the demand or turnover. The nature of the production also allows the costing to be simpler in character,* so that one weekly account covers all the different kinds of output. Where the warehouse issues the stores by transfer according to requirements then the transfer invoice acts as the works warrant note,† and, as the output becomes identical with the turnover, there is no stock, as returns by the van, &c., are in the nature of leakage in production. The prime cost comprises the transfers or issue of stores, the coal and wages being all oncost, the staff being on weekly salary, and the amount

* See pages 261 and 283. † See page 212.

does not vary directly with the production. The oncost therefore is fourfold in nature, (*a*) the wages and salaries of the bakery, (*b*) the rental charge, (*c*) the coal, and (*d*) the proportion of general charges. The bakery wages are obtained from the ledger office.* The rental charge is a fixed amount, determined by a suitable method based upon the use of the bakery, as if it were a room and power concern, taking into account the interest upon the capital invested in buildings and machinery, the rates and taxes payable thereon, and the wear and tear in repairs and depreciation.† The general or indirect expenses are based upon the percentage that the productive expenses in past periods (less wages, coal, and rent) bear to the credit transfers. Where the stores are issued from the warehouse the carriage is charged in the price, dividend on purchases being allowed for (if the purchases have been made from a productive society), and the bakery is not credited with dividend on purchases in the trade account.‡ Where the bakery makes the purchases direct (requiring the baker to have a separate purchase book and goods receiving book),§ the stores issued to production‖ will be priced at the cost, plus carriage, less dividend, and the bakery will then be credited with dividend on purchases, as it has not otherwise been credited to purchases. Thus the cost account is made consistent with the balance sheet results. The output is in terms of value instead of quantity, and will be ascertained from the transfers, the transfer delivery note having taken the place of the output note.¶ The bakery cost account should also show as a memorandum the quantity of the output in each class from week to week. It will be noted that the final net profit should now bear comparison with the amount as per trade account, and thus a check is obtained upon the apportionment of expenses, the transfers, and, inversely, upon the figures of the cost account itself.

* See page 346. † See page 539. ‡ See page 580.
§ See page 188. ‖ See page 212. ¶ See page 214.

Butchering Departments.

Defining a distributive department as one which receives goods in condition for sale, it follows that butchering or pork departments are quasi-productive in character. The beasts, sheep, &c., are generally purchased alive by the butcher on market day, a hunger house and slaughter-house being annexed to the central butchering department, where they are kept and killed to meet requirements. As the character and prices of the meat change as the carcase is cut up, a leakage account is impossible for practical purposes, and the weekly cost account substituted.* The butchery manager will enter in his purchase book† the cattle, &c., he has purchased and the price, and on the arrival of the goods he will enter the particulars in his goods receiving book,‡ entering the number of hides and skins they represent in the column provided. From the purchase book and goods receiving book the invoice is checked, and the particulars entered in section A of the weekly cost account§, the calculation per lb. live weight being made from the total bulk and total cost. Where the live stock is bought by weight—a safer plan—the calculation will be found on the invoice itself. Purchase by tender per head, instead of per weight, is in the nature of a speculation, and only an expert buyer can avoid losses when purchasing in this manner. The total cost will be entered also in the goods column of the gross profit account. (See section E.‖) The goods office will also enter up the weekly live-stock account,¶ in which the number on hand at the beginning of the week and the number purchased should agree with the number killed and the number in the hunger house at the end of the week. The number killed will be given by the butcher to the goods office each week, and the balance checked. Columns are provided for the values as per invoices, the debits and credits of which should agree. The total value of the item "killed" compared with the transfers to depart-

* See page 210. † See page 188. ‡ See page 189. § See page 285. ‖ See page 289. ¶ See page 286.

ments will give the leakage in price as between the charge against the slaughter-house (less the receipts for hides, skins, and offals) and the credit transfers. The transfers are made by means of transfer delivery note and transfer invoice, and analysed in section C of the cost account.* Inversely, transfers from the grocery and baker for bread, flour, &c., for sausage making, or from the farm for live stock where pigs, &c., are reared for killing, are dealt with by transfer delivery note and invoice, and incorporated into the transfer account (section C) in the butchery cost ledger. The transfers are charged up at the average cost per lb. of the goods with carriage, *plus* a percentage to cover the loss in unsaleable weight, after the value of hides, skins, and offals have been deducted, and irrespective of slaughter-house expenses, which in the trade account are apportioned by the secretary over the whole of the butchering shops.† The stock account (section D)‡ is entered with the particulars of the stock at the end of the week, obtained as follows :—The cost value of the live stock as per section B, and the cost value of the stock on hand in the shops, as per certificate given by the shop managers, and calculated at transfer price ; also the value of hides, skins, and fat on hand as per certificate of the butchery manager. The gross profit account (section E)§ may now be entered up from the particulars in sections A, C, and D, the sales being obtained from the check office for goods and the cash office for hides, skins, and fat, which are credited to the slaughter-house account. If credit is given and the accounts owing are kept in the shop ledgers and not in the check office, then the shop managers' certificates should also state separately the amount of accounts owing, the items in the column sales being calculated from the cash received, plus the accounts owing to end, less the debts to begin.‖ The departmental account will show from week to week the gross profit or loss of each shop, as well as the total for the

* See page 287. † See page 569. ‡ See page 288.
§ See page 289. ‖ See "Co-operative Book-keeping," page 206.

butchering department, the loss or profit on the slaughter-house being a test of the equitable charging up of the transfers. The weekly net profit should now be obtained by the compilation of section F,* in which the total gross profit or loss, as per the departmental account, is brought forward. There are three kinds of oncost charges against this account—carting expenses, productive expenses, and distributive expenses. The carting expenses are the estimated share of carting wages, the repairs, depreciation, and interest upon the vehicles and horses used by the butchering department, and the simplest basis is a weekly calculation of the carting expenses charged to the butchering department in the trade account of the previous balance sheet, as carting expenses are constant charges that do not vary in direct ratio to the sales.† The productive expenses are the slaughter-house wages and expenses, and are estimated in like manner.‡ The distributive expenses will be taken at the rate per £ upon sales as per last balance sheet, worked upon the weekly sales. This cost account in all its sections (generally kept in a butchering ledger) should be produced to the butchering sub-committee, and will be a very fair guide both as to the efficiency of the working of the department and of the buying of the butchering manager. It will also reveal to them the gross profit made to cover expenses and dividend, and the extent to which the other departments are penalised to provide the general dividend by the lesser contribution made by the butchering department. The cost account is most essential through the fact that to many a society the butchering department is a source of difficulty, especially where a high dividend obtains. Nevertheless, if properly managed and loyally supported, it need not be classed among the undesirable ventures in co-operative enterprise, for in an average household the excess profits on grocery purchases should provide for the

* See page 290. † See page 260.

‡ Where the butchery shop-manager kills his own stock, the productive wages are generally taken as one-third of the total wages. See "Co-operative Book-keeping," page 381.

narrower margins on the purchases of meat. At the end of the half year the transfers as per section E are required for the trade account, and will be analysed in total in a transfer summary similar to the example given on page 257, and passed to the secretary. The last week's stock on hand, as per section D, should be compared with the certified stock sheet, which has been verified by the stocktaker. The comparisons between the actual carting, productive, and distributive expenses incurred during the half year, and allocated in the trade account, can now be compared with the totals of the estimated weekly charge, and subject to any discrepancies thus revealed, which should be immediately investigated, the estimated net profit as per cost accounts should be found to be consistent with the actual figures.

Dressmaking, Tailoring, and Millinery.

Dressmaking is a venture which is usually worked as an adjunct to the central drapery shop, through which the orders are received and the sales effected. The stores in this case are dress material and trimmings, which are issued according to requirement, the material being chosen by the customer before being measured. The output is also passed through the drapery department, which is debited for leakage purposes with the production at selling prices, and credited with the sales. Thus the drapery leakage account acts as the stores account and the stock account.* The customers' order and measurements are taken on a special form,† and the dress length and trimmings are charged to the dressmaking department by means of transfer delivery note and invoice, the selling price on the latter being necessary for the purpose of the drapery leakage account. The nature of the production brings it under the head of special jobs, a job note being required for each job for the purpose of costing. A job slip attached to the material follows the goods as they go through the various processes of cutting,

* See Chapter XIII.
† See the "Co-operative Managers' Text Book," page 473.

sewing, trimming, and fitting, until the job is completed, and entries are made thereon of the cost of material, hours spent and wages earned in the cutting-room, workroom, and fitting-room, for entry upon the job note.* The job note, which is machine-numbered in duplicate, has spaces for the prime cost in materials and wages, the oncost, the net profit, and the selling price. The transfer price is obtained by deducting from the selling price a percentage to cover the expenses and profit of the distributive departments. Both transfer and selling prices are entered upon the perforated slip and handed to the drapery shop manager with the goods, which are charged up to the customer by him when the goods are delivered. The job note is sent to the goods office for costing and transfer purposes. The transfers to and from the dressmaking department should be entered in a separate leakage ledger of a special form, so as to also act as the cost account. There is the further advantage that it becomes self-contained, so as to obviate the double entry of transfers in detail.† It will have two series of pages, one ruled in the ordinary form‡ for the entry of the transfers from the drapery in cost and selling prices, the cost for the trade account, and the selling for the drapery leakage account. The other series will be ruled in analytical columns§ for the purpose of summarising the job notes, the selling price representing the debit to the drapery leakage account, and after deducting the distributive percentage, the debit to the drapery department in the trade account. The job note, therefore, obviates the necessity of transfer delivery note and invoice as from dressmaking to drapery. The cost account is a valuable record, and should be entered up in the goods office as explained, rather than by the dressmaking department. It reveals from day to day and week to week the efficiency or inefficiency of the department, as well as verifying the wages paid by the cash office, or any leakage therein. Where misfits or alterations occur they

* See page 291. † See page 246. ‡ See page 254.
§ See page 292.

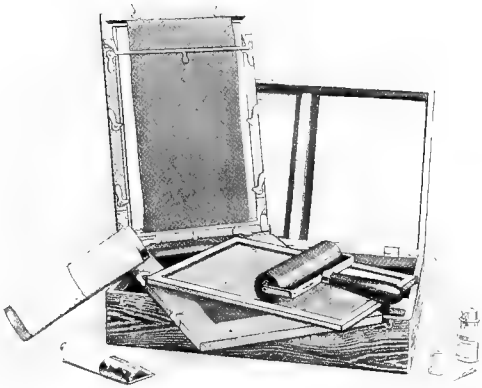
are entered upon a separate job note, and, as there is no charge to the customer, the cost also will be entered as net loss; thus the goods office obtain an intimate knowledge of the leakages which affect the profits of the department. The net profit on dressmaking as per trade account should be consistent with the costing total, and if there is a material discrepancy, investigation should be made as to the extent to which the percentage of oncost was inadequate or in excess of actual experience; or if the wages as per cost account differs from the wages actually paid, to what reason it is due (such as holidays or illness, where the wages are not on piecework); or whether the work in progress has been correctly estimated. The percentage of oncost upon prime cost for the current period of working can be taken from the previous period's cost account, after the same has been verified with the actual results as per the trade account, where all the charges other than materials, &c., transferred appear as productive expenses.* The tailoring and millinery departments are conducted on similar lines and will require a method of costing of a like character.

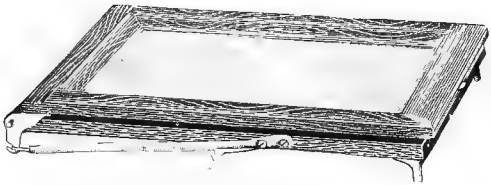
Boot Repairing.

Though a distributive society would hardly venture upon a factory for the production of boots and shoes, the quasi-productive department of boot repairing is a natural adjunct to the distribution of this class of goods. A separate workroom will be appropriated to it, under the control of a foreman, and it is wise to divorce entirely the distribution from the production in the manner set forth below. The work is treated as special jobbing,† the records being dealt with in the manner suitable to special jobs. It is the custom for all departments and shops to be used as the medium for the conveyance of the goods from the customer to the repairing shop, and it is also usual to give the retail department the advantage of a margin of gross profit on selling prices to cover the retail expenses and net profit, as the department

* See page 580. † See page 263.

MIMEOGRAPHY.





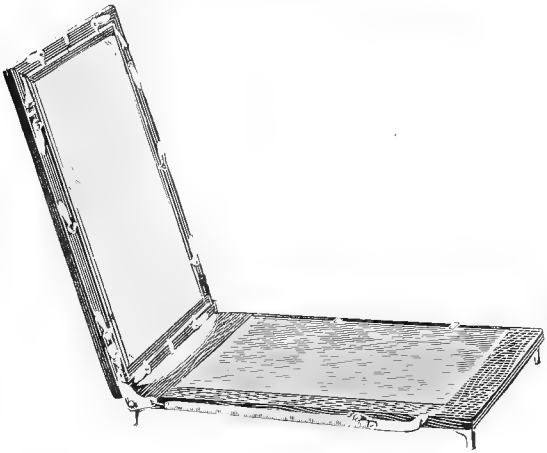


PLATE XVIII

Kindly lent by Messrs. Cooke, Martyn, and Co.

To face page 27.

is dependent upon the shopmen for the trade of their customers. An order book is kept by each shop manager, with slips machine-numbered in triplicate (the top two pages being perforated), upon which, through carbon, the name, share number, particulars of repair, &c., are entered by the shop manager, who adds his signature or initials.* One slip is handed to the member as a receipt for the goods, and being returned by him in exchange for the completed work, many errors in identification are avoided. The second slip goes with the goods to the repairing department, and the third is retained in the book for future shop reference. The stores and materials in leather, nails, &c., are issued at cost prices by the boot and shoe or grocery warehouse in the usual manner† ; or the goods are bought direct, in which case a separate goods column is allotted for boot-repairing in the invoice book,‡ the invoices being checked from the goods-receiving book kept by the foreman.§ On receipt of the boots, &c., to be repaired, the order slip is filed, its particulars and machine number being entered upon a job slip.‖ Each job has a progressive number for costing purposes, and the job slip representing it follows the goods through the various processes through which they pass. The foreman will keep a personal supervision over the stores which he issues, in this case without a works warrant note, thus making it necessary to include the value of stores to begin and to end, as well as work in progress, in reconciling the summary of costings** with the trading results of the department in the balance sheet. From the job slips the job notes are entered by the foreman, the fact of entry by him being in itself a corrective control upon the work for which he is responsible. The job note is similar to the one given on page 291, the printed matter being arranged to meet the special requirements, such as, in the case of wages, the number and value of the hours spent in each process. The job notes are sent

* Or a three-part counterfoil might be used. † See page 212. ‡ See page 311. § See page 189. ‖ The costing may be simplified by identifying a series of jobs allotted to one workman upon the same job note. ** See page 264.

daily to the goods office for entry into the summary of costings,* from which they compile the statistics of the working of the department from week to week, as well as obtain the particulars for the transfer invoice to be debited to the shop for trade and leakage purposes, and credited to the repairing department; whereas the perforated slip attached to the job note goes with the goods to the distributive department, giving the shopman the selling price which he has to receive in exchange for the goods, as sales of his department.† The amount allowed to the distributive shop to cover retail expenses and net profit is taken at a reasonable percentage from the selling price, so that the repairing departmental profit is the margin in wholesale prices in excess of the prime cost and oncost.‡ The prime cost will be the materials used and labour expended, and the total wages charged to the jobs in the summary of costings should not be irreconcileable with the wages notes§ upon which the workmen are paid from week to week. The foreman of the department is often paid by fixed weekly salary, so that the margin in his wages for hours not spent upon jobbing, and charged thereto in the manner stated, will be absorbed in the rate of oncost. The oncost will be carefully fixed after a rate corresponding with the experience of previous periods, and any discrepancy in the comparison of the summary of the costings with the trade account charge for productive expenses will reveal any error of allocation in the latter. As the selling prices of repairs are constant, generally advertised at certain fixed rates, it will be found simpler to calculate the percentage of oncost upon the sales; that is to say, the ratio that the productive expenses, less wages, bear to the sales as per the trade account in the previous balance sheet. As in the case of all other productive departments,|| the stocks to end should

* See page 292.

† Where several jobs are entered upon the job slip (see footnote on previous page) they should be identified by their numbers, a suitably amended form being used, or the order note itself might be returned with the required particulars given thereon.

‡ See page 260. § See page 343. || See page 262.

contain the values of materials and wages upon uncompleted jobs at the date of stocktaking, but no estimate for oncost should be added.*

The Farm.

Farming is a venture which up to the present time, so far as co-operative societies are concerned, may be regarded as being in its experimental stage, and has therefore met with results somewhat spasmodic in character, partly on account of the actual conduct of its operations, and partly from the unreliable nature of the book-keeping from which the results are computed. Co-operative farming enterprise in many cases has arisen from the drift of circumstances rather than from a serious attempt to succeed co-operatively in the province of agriculture. The demands of a milk supply, the butchering and pork departments, or a considerable stable, combined with the desire not to leave idle any land purchased in advance of need, have caused societies to endeavour to develop a milk business, rear their own live stock, and by cultivation meet their own grazing and provender requirements. The farm is therefore a department of a purely productive nature, and yet it stands by itself among productive ventures on account of the special circumstances surrounding its operations. Though on account of these peculiar conditions a cost account cannot be kept, and no tangible knowledge obtained of the results until the trade account has been compiled, yet the trade account itself has more of the character of an estimated cost account than a profit account, as the surplus or deficiency is dependent upon factors beyond the mere question of sales less purchases and expenses,† as the stock balance is a valuation rather than a stock-taking,‡ such valuation embodying fluctuation§ and the sanguine or pessimistic bias of the personal view of the particular valuer. Even if a valuation be made at the end of each balancing period, it cannot be regarded as effecting with any degree of accuracy the discrimination

* See page 304. † See "Co-operative Book-keeping," page 87.
‡ See page 293. § See page 481.

between the profit of the period then closed and the succeeding one, especially when at the time of valuation the assets include the value of growing crops. For this reason, with certain safeguards to prevent the proper provision for an accrued but undetermined deficiency being omitted, it is now generally accepted to be the safer plan to have the valuation made at the end of the financial year, when the land has been denuded of its yearly produce. Interim balancing periods will then show no profit balance,* as the stock balance is made to agree with the credit required to complete the accounts, and debited accordingly to the following period. The year's result, if favourable (it should be observed), though it enhances the general profits, is productive profit from which no dividend is directly declared, such being provided for in the selling prices of the distributive departments to which the farm has transferred its goods at farmer's prices; yet, if they be unfavourable, they materially affect the capacity of the disposable profit to provide the dividend upon the members' purchases from the departments concerned, from which disadvantage the society would have been free if the goods had been bought from external sources. For this reason it may be argued that the treatment of the farm profit or loss in the manner set forth in Chapter XXX.† might be correct in principle, as well as expedient in practice. If the farm is bought, then the capital expenditure consists of (*a*) the estate (including fencings, cartpaths, and footpaths), (*b*) the farm buildings (including stables, cowsheds, pig-pens, and fowl houses), and (*c*) the implements. This first outlay will be taken to fixed stock account.‡ Where the estate is taken on lease, at a yearly rental, a premium is payable for what is termed the tenant-right, or the structural improvements such as fencings, &c., made by the outgoing tenant, and the value put into the soil by him by manuring, ploughing, and harrowing. This also is a fixed stock charge, for even

* See "Co operative Book-keeping," page 146. † See page 564.

‡ See page 471.

though it may be contended that the latter is in the nature of work-in-progress,* it is impossible to separate it from the question of goodwill,† which enters into the purchase price, or the valuation of the tenant-right, goodwill being in this sense the value of the probability that the regular yield will be continued. Again, it will be noted in practice that in the book-keeping they cannot be very satisfactorily defined. The revenue charge against this capital value is a matter of depreciation dealt with in a later stage,‡ and in subsequent valuations the variation of the tenant-right is ignored for balance sheet purposes until the farm be relinquished, when the income relating to such tenant-right, paid by the incoming tenant, will be credited to the fixed stock account,§ being of the nature of capital and not revenue income.|| The farm manager will have a goods receiving book,¶ in which he will record all purchases of live stock, the invoices relating to them being debited to the farm in the analysis column of the invoice book.** Transfers from the other departments of the society will be dealt with by transfer delivery note and transfer invoice in the usual manner,†† these transfers being chiefly from the grocery warehouse. Purchases of implements will be dealt with through the grocery warehouse, where they will be transferred to fixed stock or farm repairs,‡‡ according as they are new utensils, or merely renewals.§§ The credits to the farm are chiefly the transfer at wholesale prices of milk to the milk department; live stock to the butchering department; and to the grocery department the produce, including hay, eggs, and (if dairy operations are conducted) farmer's butter and cheese. A definite charge, based upon local custom and fixed at a rate per hour,|||| should be credited to the farm, and debited to expenses by transfer, for the use of the land for grazing by the horses, whether used for teaming or general carting,¶¶

* See page 262. † See page 407. ‡ See page 487.
§ See page 572. || See "Co-operative Book-keeping," page 318.
¶ See page 189. ** See page 311. †† See page 237.
‡‡ See page 247. §§ See page 471. |||| Or night.
¶¶ See page 528.

the farm being charged a proportionate share of this on the allocation of expenses.* The fixing of the charge is often a source of contention between the goods office and the farm manager, especially as sometimes its determination has made all the difference between a profit and a loss on the farm account. Another point worthy of notice is the method of treating the stables and the manure. The stables should be treated as part of the carting department, the farm being allowed for this in the rental charge, and a credit should be given to horse expenses for manure used on the farm, the charge for horse expenses being included in carting charges, and distributed equitably over all the departments.† With regard to the transfer invoices, only those relating to the grocery department are computed at selling as well as wholesale prices, as the former is required for the grocery leakage account. In the other cases it is unnecessary, as the milk account is a goods account,‡ and the butchering account is a quasi-productive department requiring a cost account.§ When the valuation of the stock is made, care should be taken not to include as stock in the trade account the tenant-right (as stated above), the implements and fencing, or certain of the live stock, such as horses which, on being broken in for carting or teaming purposes, have been transferred to fixed stock account and credited to the farm. A careful examination into the figures which give the results will show to the reader that the profit or loss, or perhaps it would be more correctly termed "surplus" or "deficiency," is not in reality a profit or loss upon the sales or transfers. Depreciation, fluctuation, and other foreign and domestic factors enter into its composition; questions of the health, prolificness, milking capacity, or the decease of the live stock; the fruitfulness of the soil; the choice of crops; the effect of weather, and many other considerations which may or may not be due to the care or judgment of the farm manager—conditions which do not enter into the trading

* See page 539 † See page 542. ‡ See page 220.
§ See page 267

profit of other departments of a society, or if they do so, are determined in the expenses charge, or the goods or leakage account, and not in the variation of valuation.* The secretary should note that if milking cows are kept, or the trade of dairying is conducted, the society is required to be registered with the sanitary authority. (The Dairies, Cow-sheds, and Milkshops Order of 1885.)

The Costing of the Milk Department.

In a previous chapter† we have dealt with the records of the milk department, which in its nature is purely distributive. Nevertheless, the peculiar nature of the goods lends itself to so much opportunity for mismanagement, leakage, and overbuying, that a weekly trading or cost account is very desirable. There are two kinds of leakages in this department—the leakage proper upon the measuring-out of milk to the salesmen and their manipulation of the goods, and the depôt leakage, which includes milk turned sour, milk overbought and destroyed or not realised upon. This is obtained by the entry of the goods column of the weekly goods and cost account from the salesmen's delivery books, the invoices and cash purchase slips, &c.‡ Into the same account are introduced columns for the value, so that the document serves also as a trade account for the week, anticipating the results of the balancing period, checking buying, gauging the turnover, and keeping a strict supervision over the management, as it is an independent record kept by the goods office. This department being purely distributive, there are no prime cost charges, unless the department makes butter and cheese, in which case the necessary debit and credit items are entered accordingly. The oncost or establishment charges are the expenses, which are of two kinds, carting and distributive. The carting expenses are based on a weekly proportion of the amount charged in the trade account at the last balancing date, the distributive expenses being taken at the rate per £ as per

* See page 481. † See page 220. ‡ See page 235.

the trade account worked upon the weekly sales. The entry of the net profit or loss completes the account, and the balance of leakage in the goods column calculated at cost prices (but not entered into the value column) shows the extent to which the net profit has been penalised by the leakage and unrealisable surplusage in the distribution of the milk. A summary of the results should compare favourably with the profit as per the trade account at the end of the balancing period, and if there is a material difference, it will arise either out of a wrong realised basis of the expenses or oncost, or some error in the accounts themselves. No stock is entered, as no stock should be kept, and if surplusage of milk is retained overnight to add to the next morning's delivery, it will show itself in an erratic variation of the leakage or the profit.

APPENDIX TO CHAPTER XV.

SPECIMEN WEEKLY COST ACCOUNT

(For Stock Jobs).

.....*Department.* *Week ending*.....19....

Date.	Works Warrant Note No.	Prime Cost. Value of Stores Issued. £	s.	d.	Works Warrant Note No.	Value of Packing Sundries. £	s.	d.	Wages Note No.	Productive Wages. £	s.	d.	Output. Date.	Output Note No.	Cwt.
Total															
Less Work in Progress..															
Add ditto Last Week...															
Prime Cost.....													Output.....		

	£	s.	d.
Prime Cost—Materials			
Packing Sundries.....			
Labour.....			
Oncost.....per cent on Prime Cost.....			
Total Cost.....per cwt.....			
Net Profit.....per cwt.....			
Net Selling Value of Output—..... cwt. at ..... per cwt			

Output to date this period..... Cwt.

Output corresponding period.....

	Cwt.	£	s.	d.
Output this week				
Output last week				
Increase.....				
Decrease				
Cost per cwt. this week.....				
Cost per cwt. last week.....				
Increase.....				
Decrease				
Cost to date.....				
Net Profit to date.....				
Net Selling Value of Output to date.....				
Increase.....	Cwt.			
Decrease				

SPECIMEN JOB NOTE. No.....

(For Special Jobs.)

Name .....

Address .....

Date,.....19...

PRIME COST.

Works Warrant Note No.	Quantity.	Description of Stores.	Value.	Job Card No.	Process.	Hours.	Rate.	Productive Wages.

PRIME COST—				Date Completed.
Materials				
Labour				Output Note No.
ONCOST—				
Per cent on Prime Cost				Estimate No.
Total Cost.....				Signature of Costing Clerk.
Estimated Net Profit.....				
Net Selling Price..				Signature of Manager.

BAKERY COST ACCOUNT.

Week ending.....19....

Transfer Invoice No.	OUTPUT.												
	4lb. White.	2lb. White.	1lb. White.	2lb. Brown.	1lb. Brown.	2lb. Currant.	1lb. Currant.	Scones.	Buns.	Fancies.	VALUE.		
This Week...													
Last Week...													
Increase.....													
Decrease.....													

			Transfer Invoice or Works Warrant No.	No. of Sacks.	AMOUNT.		
No. of Sacks used this week		PRIME COST—					
Do. last week		Flour, &c. (specify each item)					
Increase		ONCOST—Wages					
Decrease		Coal and Coke.....					
		Rental					
No. of Sacks used to date		Indirect Charges:—					
Do. Corresponding period		....%. on Transfers ..					
Increase		TOTAL COST ..					
Decrease		Estimated Net Profit					
		Credit Transfers.....					

SUMMARY OF COSTINGS (SPECIAL JOBS). Week ended ... 19

Job Note No.	Prime Cost.		Oncost.	Total Cost.	Profit.	Loss.	Selling Price.	Remarks.
	Materials.	Labour.	% on Prime Cost.					

BUTCHERING COST ACCOUNTS.

SECTION A—PURCHASES. Week ended................19....

Number.	Description.	Cost, Bulk Value. £	s.	d.	Working out in the following manner:— Weight.	Rate.
	Beasts					
	Sheep					
	Pigs					
	Lambs					
	Calves					
	Estimated Carriage					
Total to Section E......... £						

BUTCHERING COST ACCOUNTS.

SECTION B—LIVE STOCK ACCOUNT. Week ended.....19....

	Beasts.				Sheep.				Pigs.				Lambs.				Calves.			
	No.	£	s.	d.	No.	£	s.	d.	No.	£	s.	d.	No.	£	s.	d.	No.	£	s.	d.
To Begin																				
Purchased																				
*																				
Killed.....																				
To End.....																				
* These Totals should agree. *																				

BUTCHERING COST ACCOUNTS.

SECTION C—TRANSFERS.

Week ending.....19....

Transfer Invoice No.	Debit Slaughter-house.	Transfer Invoice No.	Debit Central.	Transfer Invoice No.	Debit Branch 1.	Transfer Invoice No.	Debit Branch 2.	Transfer Invoice No.	Debit Branch 3.	Transfer Invoice No	Department.	Credit.
											Grocery.....	
											Drapery.....	
											Chemist.....	
											Farm.....	
											Total Credit to other departments.....	
											Balance Credit to Slaughter-house — Section E.....	
Debits to Section E.												*

* This should agree with the total of the bottom totals of the debits.

BUTCHERING COST ACCOUNTS.

SECTION D—STOCK ON HAND. Week ended.....19....

Department.	Description.	Cost Price.		Cost Value.			Departmental Total.		
		(a)	Per.	£	s.	d.	£	s.	d.
	Live Stock, as per Section B.								
Slaughter-house	Carcase Meat as follows :—								
	Hides and Skins ..								
	Offals.....								
Central	Carcase Meat as follows :—								
	Offals.....								
Branch 1....	Carcase Meat as follows :—								
	Offals.....								
Branch 2....	Carcase Meat as follows :—								
	Offals.....								
Branch 3....	Carcase Meat as follows :—								
	Offals.....								
	Total to Section E								

"RONEO" DUPLICATING.

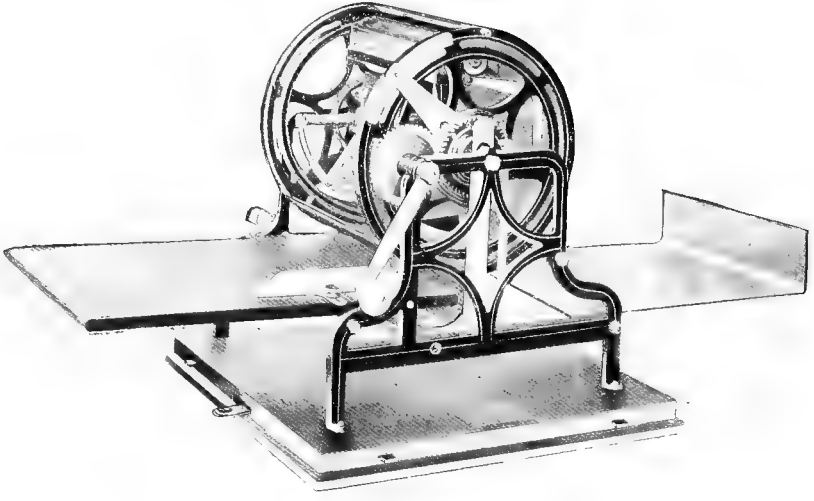


PLATE XIX

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To face page 288

BUTCHERING COST ACCOUNTS.

SECTION E—GROSS PROFIT ACCOUNT. Week ended.....19....

	Stock to begin.	Purchases and Carriage.	Transfers.	Gross Profit.	Totals.	Sales.	Transfers.	Stock to end.	Gross Loss.
Slaughter-house						*			
Central.....									
Branch 1.....									
,, 2.....									
,, 3.....									
,, 4.....									
£									
	Section E (last week). Section A.		Section C.	Section F.		Per Check Office.	Section C.	Section D.	Section F.

* In this column will be entered to the credit of the Central the sale of hides, &c. All the rest of the credits will be transfers.

BUTCHERING COST ACCOUNTS.

SECTION F—NET PROFIT ACCOUNT. Week ended.....19....

Gross Profit, as per Section E.....				Gross Loss, as per Section E.....			
Expenses:							
Carting—Estimated per week							
Productive—Estimated per week ..							
Distributive—Estimated / per £ on Sales..							
Net Profit (estimated) / per £ on Sales, *less* Hides and Fat.				Net Loss (estimated) / per £ on Sales, *less* Hides and Fat.			

28.

TRANSFERRED TO CENTRAL DRAPERY.

Name.....

Address.....

Share Number.....

Nature of Goods.....

Charge to Customer .. .. ..

Less % ....

Transfer Price.... £

28.

DRESSMAKING JOB NOTE.

Name.....

Address.....

Share No.....

Dress Material:

yards at .....

Trimmings and Furnishing ....

PRODUCTIVE WAGES.

Cutting— hours at ..

Fitting— ,, ..

Workroom— ,, ..

Prime Cost....

ONCOST:

....% on Prime Cost....

Distributive Charges % on Selling Price .....

NET PROFIT.

Selling Price .....

.....Manageress.

DRESSMAKING COST ACCOUNT.

Date.	Job Note No.	Prime Cost.				Oncost. ....% on Prime Cost.	Total Cost.	Distributive Charges	Profit.	Loss.	Selling Price.
		Dress Material.	Trimmings, &c.	Wages.	Total.						

CHAPTER XVI.

The Goods Office—Stock in Trade and Stocktaking.

Stock.

The term "stock," in its broad sense, not only refers to goods in condition for sale,* but also all other goods in possession, whether stores or expenses, which are required to be valued for entry among the assets, thus showing the amount of capital borrowed from the members which has been invested in this form of property. The nature of trade makes it essential that a considerable quantity of goods should be always on hand, either for sale, or, in the case of stores, for the purpose of future use in manufacture, or, in the case of expenses, for future benefit.† On the proper recording of stock depends the accuracy of the trade account and of the profit thus computed for the purpose of dividend. An error in stocktaking will not only falsify the amount of the profit declared to have been made, but will affect all the ratios and percentages of profit of the balancing period at the close of which they have been taken as assets, and also, inversely, the subsequent period against which these are accordingly debited. They may also affect the costing figures in a manner as to give the wrong basis for future periods, and thus cause unexpected losses. The proper "taking" of stock, therefore, is an important feature of a society's operations.

What is Stocktaking?

Many of the phrases which custom has caused to be adopted as technical terms may be traced back in their

* See page 214.
† See "Co-operative Book-keeping," pages 25 and 119.

derivation to ancient methods which have now become obsolete; and "stocktaking" is one of them. In the old days of single-entry or incomplete book-keeping, goods were not accounted for, except as purchases and sales in their personal relations,* and the balance sheet was simply a statement of affairs, in which the liabilities and assets were valued in a somewhat haphazard fashion, the balance in favour of the society thus obtained being the only guide for the declaration of dividend. That day, it is to be hoped, has departed, and it is now a matter of shame to the secretary who submits, or the auditor who accepts, such a statement, especially as it requires an incomplete or "cooked" annual return to the Registrar. It should be observed that the balance sheet is made up as if it were the position of the society on a final adjustment of its affairs, and in ignorance of the fact that the next day the business will be continued, except that it is unnecessary to value the assets at knock-down prices. For this end, accredited officials are sent at the balancing date to relieve the shopmen of their stewardship, and *take* from them the stock with which they have been originally debited, and credit them with the stock they thus hand over. When we remember that goods should be accounted for in the same way as cash, we understand the argument, for the cashier must hand over to the society the cash which he has received, less the amount for which he produces proper and authoritative vouchers, so that the society may pay the same into the authorised bank account. Seeing that the shop manager has, on the following day, to continue the business of the society, it would be absurd to take away the goods from his custody. They remain, therefore, under his control, and he is re-debited therewith, as a balance against him at the beginning of the succeeding balancing period. Thus arises the stock balance,† which plays an important part in the trade account, and without which the profit balance

* See "Co-operative Book-keeping," page 22.
† See "Co-operative Book-keeping," pages 152 and 161.

cannot be ascertained. Where there was no other means of ascertaining the quantities and values of the stock held by the shopmen, the verification or "taking" of stock came to mean both the scheduling and the costing of the goods by authorised parties, who in the act of scheduling examined the condition of the goods and verified their quantities, and as the stocktaker found it difficult to accomplish his task unaided, and as the shopman desired, in his own interests, some check upon the accuracy of the credit passed to him through such stocktaking, he took part in the work as a clerk (or used the stocktaker as a clerk!) to save time in what is in its nature a tedious, detailed, and protracted task. From this method has arisen the erroneous view that stocktaking, or the taking of stock, is the scheduling and valuation of goods on hand, instead of simply and solely the *verification of the presence of goods in specie and quantity* by parties independent of those to whom they were entrusted, whether in the case of the shop manager referred to above; or the warehouseman, in the case of output*; the storekeeper, with regard to stores†; or the works manager, with reference to work in progress.‡ The institution of double-entry by means of goods accounts§ and leakage accounts gives the balances for which the holder of the stock is held responsible, and then the stocktaking becomes the means of reconciling the actual stock with such balances, and where leakage enters into the manipulation of the goods, reveals its amount, the cost value of which finds its double-entry as a charge to the trade account,|| and not as a balance in suspense¶ debited to the following period, as in the case of the actual stock. We may note here, therefore, that under the above test, accounts owing by members** are not stock, and should not be included as such in the balance sheet; nor has the stocktaker anything to do with prices, or the valuation of the stock.

* See page 214. † See page 211. ‡ See page 262. § See page 239
|| See page 208. ¶ See "Co-operative Book-keeping," page 158.
** The legal term for book debts is "choses in action," as distinguished from assets in possession.

The Inventory of Stock.

The shopman, warehouseman, or storekeeper has the right, in the first instance, of making out his own record on which he expects to be credited by the society, for which he acts, and the right should be resolved into a duty. The record* should be in duplicate, from a book with machine-numbered pages, the top or original sheet of entry being perforated so that it can be detached. Columns should be provided for the fixture number, the number of empties, the description, quantity and prices, columns being provided for both cost† and selling prices and their extensions.‡ Some societies have adopted what is termed an alphabetical stock list, in which the various items are printed alphabetically. It is claimed for this method that the particulars of the stocks can be more easily turned up and compared, both as to quantities and prices, from quarter to quarter or from half year to half year, and that much time spent in writing is saved through the description of the different kinds of goods being printed upon the pages; also that a shopman cannot inflate stocks by making several entries of the same goods on different stock sheets, and that in pricing the goods from the prices book§ the work is more quickly accomplished. It must be confessed, however, that we have not as yet been converted to this plan, and on the following grounds. In the first place, time lost in the stocktaking is worth a great deal more than time lost in pricing, because the former is interfering with the trade; secondly, more time is lost in turning over the index to enter various items from a fixture than in a continuous entry in the case of a written stock sheet; and, thirdly, the inflation of stocks is soon revealed by a complete method of scrutiny, even if the stocktaking

* Stock should be entered directly upon the stock sheets. They should not be rough-listed, as this not only causes unnecessary duplicating of work, but is a constant source of error.

† That is to say, the invoice prices of the goods when bought. Carriage payable should not be added. (See page 190.)

‡ See pages 308 and 309. A special form of stock sheet is used for the stock of the boot department.

§ See page 237.

does not lead to its discovery. The greatest objection, however, is the probability of omitting the entry of an item, or the entering of quantities opposite the wrong lines, or the making of errors in denomination, such as units under dozens, dozens under gross, or lbs. under cwt., &c. The trouble in comparing prices and quantities in stock sheets from quarter to quarter is obviated by the proper arrangement of the shop fittings and fixtures.* which should be arranged on similar lines at all the shops, distinctive letters being used to denote the class of stock. For instance, in a grocery shop we would have the flour room, the provision counter, and the grocery counter. Each series of stock sheets would be arranged in these sections. Then the subsections of these in fittings and fixtures should have a fixed letter or numerical guide, and the stock should be scheduled as far as possible in this order. After the contents of a section have been entered upon the stock sheets, the number of items should be counted to see that there are the same number of entries to correspond. The shopman should enter the selling prices, for not only has he been charged with these in his transfer invoices,† but in some classes of goods they are the general guide for discrimination between varieties and grades of the same class of article, such as in teas. The entry by him of the selling prices enables the goods office to check them, thus preventing errors which might occur if the original entry of the selling price was made by that office. The denomination of the goods should be written on each entry, both as to quantity and price, and columns representing various divisions of quantity should not be used, on account of the possibility of entering the figures into the wrong columns. Abbreviations may be used, but such words as "do.," or dots or dashes implying the same should be discarded. Where the quantity is in the terms of the unit, the word "only" should be written, and in the case of the price, the word "each." The task of

* See the "Co-operative Managers' Text Book," Section 2 and Appendices. † See page 237.

stock scheduling is a laborious one, and should not be interfered with by sales on account of the fact that goods that go out during stocktaking may obtain a double credit in the accounts, or not be taken into account at all, according as whether such sales are included within the period of balancing, or taken as sales of the subsequent period, yet sold before that particular section from which the goods were taken was scheduled. Nor should deductions or additions for adjustment of the sales be allowed to be made at the foot of the stocks sheets and summary. Stock scheduling, like any other important duty, requires the undivided attention and concentration of those upon whom the responsibility devolves, and for this reason, therefore, we cannot see the wisdom of any other course than the closing of the shops for a full day during which the work is accomplished. If the balancing period is arranged to close on a Tuesday or a Wednesday, it will thus save the trade of half a day, though depriving the shop manager and his assistants of their half-day holiday. On the earlier days of the week the shops are closed at an earlier hour than on the Fridays and Saturdays, when the trade is the most brisk, and this will make it no hardship upon the shopmen to commence the scheduling of stock at an earlier hour in the morning. The drapery and boots and shoes might be arranged to be taken the day before, care being taken not to include the sales of the succeeding day in the accounts of the balancing period.* Extra clerical assistance should be supplied from the office, or from the other departments where the work has been done, or by special outside help, so as to enable the work to be got through promptly and systematically. The selling prices should be identical with the prices at which the shop manager has been charged in the transfer invoices, as he has no concern with special depreciation, &c., with which we will deal later.† Each sheet should be initialled by the person who called over the

* See page 437. This course, however, is not to be recommended, unless circumstances demand such an arrangement. † See page 492.

stock, and also by the person who made the entry in the stock sheets, and a spoilt page should be endorsed both on its original and its duplicate, so as to retain the sequence of the machine-numbered folios, and signed by the stocktaker as cancelled. It will be seen, therefore, that the inventory of stock cannot reasonably be expected to be made by any other party than the shop manager himself, with the help of his assistants, any more than it would be just and proper to enter his till and take over his cash, without giving him the opportunity of counting it and obtaining a receipt on giving up possession. A similar inventory will be made by the storekeeper and warehouseman of a productive society.* The stock sheets of the boot and shoe department should be in a special form,† so that the number and contents of each rack or fixture can be effectively ascertained, and the mark and selling price inserted.

The Preparation of Stock.

A good shopman will have his stock in such a condition that he will be able to welcome a stocktaking at any time without fear of reproach or blame, so that the preparation of stock includes rather the preliminary arrangements which can be made during the last week or fortnight so as to minimise the labour of the scheduling. At this time the general manager usually reduces his buying to the lowest point consistent with safety for the same purpose, at the same time causing the pressure of the demand of the consumer to reveal old stock which the customer will not accept, or if accepting, raise complaints which, through the publicity of co-operative trade and the democratic method of government, find easy channels for communication to the general manager or committee. In the case of groceries, the preparation will be chiefly in the return of ill-conditioned stock by the shop manager to the warehouse, for which he will claim credit; or bargain sales at a reduced price, for which he will obtain permission from the general

* See pages 211 and 214. † See page 309.

manager, as the selling at unauthorised prices is a good ground for instant and summary dismissal.* The scheduling of drapery and goods of a kindred nature presents more difficulty than in other departments, such as grocery, on account of the much heavier stock and the long, tedious task of measuring and counting. It is usual, therefore, to begin to prepare this stock a fortnight or so prior to the stocktaking day. Rolls of material or goods of a similar nature should be measured and ticketed in five-yard lengths, so as to give a quick guide to the actual measurement at the date of stocktaking. Packages of goods which are not likely to be broken should be sealed by the manager after denoting the contents upon the wrapper or ticket.

The Stocktakers.

From the above technical use of the term arises the name "stocktakers," which is applied to those persons appointed on behalf of the society to verify the actual stock, for the purpose, as we have already noted, of relieving the shopman of his stewardship, so that he can start the new period with a "clean sheet." Out of the question as to who should act as stocktakers has arisen of late years some degree of controversy among co-operators,† yet there need not be much difficulty in deciding the point, if the root principles are thoroughly understood. The goods have been entrusted to the shop manager as a trustee and not as an agent; that is to say, he must produce them in specie when called upon, and not their value in cash, unless the same is the result of properly conducted sales. The stocks must be produced in a healthy condition, as the shop manager retains at his own risk goods that have been long in stock,‡ unless he has relieved himself of the responsibility therefor, either by reporting to the manager, or by returning to the

* See page 36.

† In the case of limited companies the certificate of the General Manager is accepted without further independent evidence.

‡ It is an excellent plan for the date (in private mark) to be stamped by the warehouse upon certain kinds of goods on receipt.

warehouse, or by clearing out of stock (under instructions) by bargain sales at job prices, the concessions in ordinary selling prices being credited to him in his leakage account.* The stocktaker has therefore not only to verify the quantities and description, but also to satisfy himself that the stock is in a healthy condition. In the case of productive societies, it is the custom for the manager to take the stock by verifying the schedules of the storekeeper, works manager, and warehouseman, and comparing the same with the stores ledger, stock ledger, and the cost accounts in the goods office.† With regard to distributive societies, from the peculiar circumstances surrounding co-operative retail trade, such as the decentralisation of sales, has arisen the custom that the committee, or other members specially elected by the general meeting of the society, shall act as stocktakers. The private members thus elected have the capacity of testing the quantities and weights, but may fail when the second test is applied, namely, the examination of the stock as to its healthy condition. With regard to the committee, this special knowledge may reasonably be assumed, if they have not only been in constant touch with the shops by visitation,‡ but having methodically followed the purchase book, and on grocery, drapery, &c., sub-committees they have an intelligent idea of the classes, grades, makes, &c., of the goods of a *particular* department, and have a sufficiently intimate knowledge of the demand and supply. Unhealthy stock is usually old stock, and a society would be badly managed which depended upon the stocktaker to discover goods of an unhealthy character; and a shopman with any regard for his own position would not retain goods on which he is charged interest in the expenses, and for which he might be held responsible for not selling, reporting to the general manager, or returning to the warehouse. The way to prevent unhealthy stocks is by going to the root of the matter, namely, by watching the purchase book§ to see

* See pages 245. † See page 187. ‡ See Chapter XXXI. § See page 188.

that the purchases have been made only to meet a demand which is not so remote as to render the stocks unhealthy. The shopman who keeps unhealthy stocks is the one who is careless in manipulating the goods under his care, and this will show itself, as we have already shown, in the leakage account, not in one period, but over a course of quarters or half years. He also knows that if he is credited with an inflated or unhealthy quantity he is not free, for he is debited with the same the following day. It is to his interest, as well as to the society's, that he face the situation, for if he does not, it will gather increasing importance, and make the fact more prominent and the exposure more perilous. The primary check, therefore, on unhealthy stocks is in the committee-room, where the purchase book is examined, and in the goods office, where the transfers are tabulated. The old adage "Prevention is better than cure" is sound in this particular application. The careful scrutiny of purchases and transfers in the goods office, combined with methodical and frequent visitation on the part of general manager and committee, should be the best guarantee of the healthy value of stocks. Again, where unhealthy stocks are retained, the demand still requires the substitution of the healthy goods to meet the sales, and a collateral check is obtained to the scrutiny of transfers in the ratio to which the stocks bear to the turnover. The stocktaker should be present during the greater portion of the day, watch the weighing, counting, and scheduling, superintending the work and examining the goods. An effective oversight is what the stocktaker should endeavour to ensure. He need not necessarily check, weigh, and count all the goods, but should reasonably satisfy himself that the stock sheets represent actual and properly recorded stock. He will follow particularly all the larger quantities, and see that the stock scheduling is conducted in a proper, methodical, and honest manner, and he should sign each sheet at the foot as a certificate that such duties have been fulfilled by him. He should mark with a cross all items which in his opinion

require the special examination of the manager, who will deal with the same when the stocks are priced by the goods office.

The Costing of Stock.

The sheets are now sent by the stocktakers direct to the goods office, the books with their duplicate record being retained by the shopmen. The net cost prices are now entered by the goods office from the prices book, and this duty in itself acquaints the goods office of large items of stock which from their special knowledge are inconsistent with the transfers or the requirements of the particular shop in question, thus giving another check upon unhealthy stocks. As each sheet is costed and extended, it is handed to another clerk who extends the selling prices, and a comparison of the relations between its selling and cost value is an excellent guide to its correctness, both in detail and in total. The summary should account for all the sheets in their machine-numbered sequence, and the number of the first sheet must follow progressively the last sheet of the stock sheets of the previous balancing date. The cost values should be tabulated and handed to the secretary for entry into the trade account, and the selling values credited in the leakage accounts,* which may now be completed. In the case of productive societies, or the productive operations of distributive societies, the stores stock will be entered in terms of quantity in the stores ledger, the same course being adopted with regard to stock of output in the stock ledger.† The difference between both sides in each case is entered to balance the account, thus exposing the leakage, which, if abnormal, will cause a scrutiny into the entries of the ledgers or the stock sheets to ascertain the error. In the case of work in progress, if the production is on stock jobs, then the manager will verify and certify the last item of work in progress in the weekly cost account.‡ In the case of special jobs, the job notes representing uncompleted jobs

* See page 244. † See pages 214 and 229. ‡ See page 281.

are tabulated by the goods office,* and taken into stock as assets after being examined and certified by the manager. Work in progress should only be valued at prime cost, no estimate for oncost being added.

Stock Checking.

The work of stock checking is an important one and lies between the manager and the auditor. It is obtained by examination and comparison. Each sheet should be examined carefully by the general manager (who should initial the same), as it not only acquaints him with the contents of the shop, but also, from his own special knowledge of buying, he is able to ascertain any overstocking of articles of which the demand is of a diminishing nature, and become conversant with the manner in which he has, through the goods office, arranged his buying to meet the customers' requirements. This scrutiny is valuable in that through expert knowledge and experience many matters are noted which he will make use of in the interests of the society, such as arranging a reduction in price to clear general stocks of a certain article, in order to substitute another of a greater profit-producing character, or suitable as a leading line to increase his trade, or by a bargain sale of old fashions to "clear the decks" for a new fashion. Where items have been marked with a cross by the stocktaker or noted by the goods office as unhealthy stocks, he should inquire into the same, and, in the case of grocery departments, reduce their cost value† or have them returned to the warehouse. He should not reduce the selling prices unless he gives a corresponding credit in the leakage account, as depreciation in value of old stock is not leakage, but an ordinary trade loss. In the drapery departments the cost values should not be altered, but he will satisfy himself that the depreciation fund‡ is ample to cover them, and allow credit from the depreciation fund when the goods are sold at bargain prices. The comparison should be made between

* See page 265. † See page 493. ‡ See page 494.

THE WRITERPRESS.

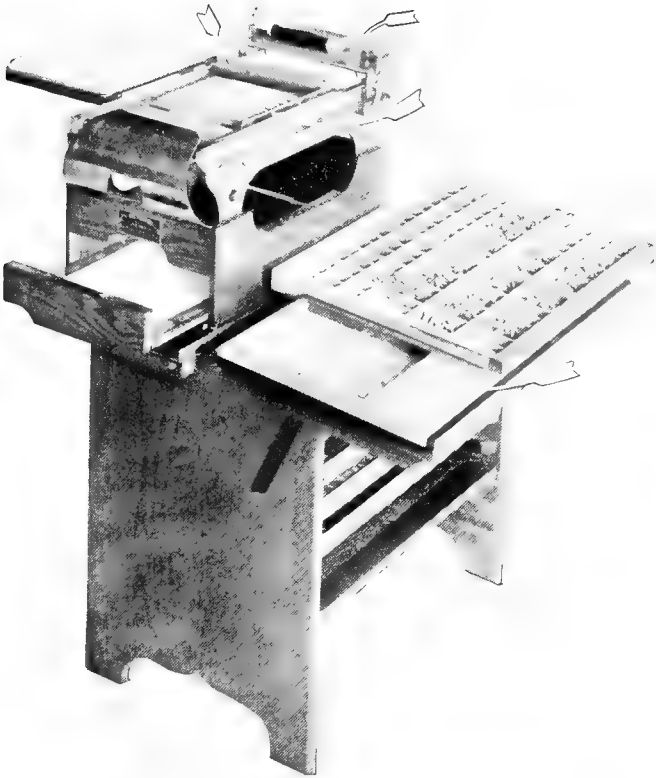

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PLATE XX

To face page 401

sectional values of the stocks of each shop at the present balancing date and with the balancing date of the corresponding period. For instance, it might be noted by him that the flour room total has been increasing each half year in a manner not to be accounted for in the transfer invoices, and an investigation would reveal at once such things as the selling of new stock and the keeping of old stock; the continued and gradual inflation of stock to conceal errors in the leakage account, not through leakage but by frauds in checks; or to maintain the departmental dividend for the same reason; and many other things which the manager, if he knows his business, will deal with immediately and summarily. It is not within the province of this work to set out the duties and responsibilities of auditors as to the stocks taken into account as assets in the balance sheet. It will be sufficient, perhaps, to say that by a famous case,* the auditor is free from responsibility if he states in his certificate a report that the stock has been taken and certified by the manager or other responsible officials, and that he has accepted such certificate. It should be remembered that if dividend is paid out of the capital through such over valuation of stocks, the responsible officials, under certain circumstances, may be called upon to make up such overpayment from their own private assets. Nevertheless, as the cost prices of stock are taken as assets in the balance sheet, and upon such entry of the stock balance in the trade account the profit for the period is ascertained, the public auditor will not content himself with merely accepting the certificate, but will check the cost extensions and additions. Collateral evidence will be obtained by him by comparison, such as the relation of the stocks at each shop to those of the corresponding period, and the relation of the stocks to the turnover. Grocery stocks should be turned over about fourteen times per year, or not exceeding a month's sales. Drapery and other departments of a similar nature should be turned over from between two to three times a year.

* The Kingston Cotton Mills Company Ltd.

Butchering, provisions, and greengrocery stocks should represent weekly supplies. Productive departments vary according to the nature of the manufacture, and the stores should be compared separately from the stock of output. The auditor will also satisfy himself, as far as is reasonably possible, that the method of scheduling and verifying the stock that has been adopted is correct and has been systematically carried out. It should be noted that the auditor has the right of demanding a certificate from the manager and stocktakers as to the correctness of the entries upon the stock sheets.

Independent Valuation.

With regard to the question of the employment of "independent stocktakers," two arguments emanating from managerial circles have been raised against this course. These are (*a*) the presumed want of confidence in, or allegation of incompetence against, the employés, which might have an adverse influence upon them, and (*b*) the extra cost involved. With regard to (*a*), the argument might be accepted if the independent stocktaking were casual or infrequent, or done under any peculiar circumstances warranted to cast reflection upon a particular employé; yet, apart from such special circumstances, no more lack of confidence should be assumed than the appointment of a public auditor to audit the accounts of a society should be considered as a reflection upon the secretary. Nor should the question of expense (*b*) be considered when the stability of the society is in question, on the ground that loss to an unknown extent may follow inaccurate or unrecorded knowledge. The arguments for or against independent stocktaking must not be confounded through the misuse of terms. There is a vast difference between the scheduling and verifying of the goods, the costing, and the checking, as noted above. If independence means that these duties must be performed by separate and independent persons, no one will dispute the principle thus laid down. If inde-

pendence, however, implies the combination of all these duties in the one official with expert experience, it becomes an independent valuation, which might be unfair to the manager or the shopman, because they are entitled to be credited in the trade account* at the cost prices which they paid for the goods, and he is not as conversant with such cost prices as the goods office, which is in constant touch with the invoices. If the independent stocktaker is appointed to take the stock, namely, verify the quantities and descriptions, then it is doubtful whether the special training is so superior to the purpose required than the work of a reasonably intelligent and careful man. If, however, the intention is to make certain that the stocks are healthy, then it might be argued that the best method is for the manager to scrutinise more carefully the transfers and visit the shops more regularly. It may be suggested that societies lend their employés to each other to act as stocktakers, in place of the committee, but it is doubtful whether the same moral effect would be obtained. Unhealthy stocks in drapery departments and those similar in nature should be dealt with by bargain sales rather than allow a stock to accumulate in such a manner as to require a valuation at knock-down prices.

* See page 581.

APPENDIX TO CHAPTER XVI.

PLAYFAIR CO-OPERATIVE SOCIETY LIMITED.

STOCK SHEET, Half Year ending .....19....

.....Shop, ...Department.

Lot No.	Description.	Quantity.	Selling.			Cost.		
			Price.	Per.	Amount.	Price.	Per.	Amount.

Called over by ..... Priced by .....

Entered by ..... Extended by .....

.....Stocktaker. .....Manager.

PLAYFAIR CO-OPERATIVE SOCIETY LIMITED.

STOCK SHEET, Half Year ending.....19....

.....Shop, Boot and Shoe Department.

Fixture No.							Selling Value.	Cost Value.
	Selling.							
	Cost.							
	Mark.							
	Selling.							
	Cost.							
	Mark.							
	Selling.							
	Cost.							
	Mark.							
	Selling.							
	Cost.							
	Mark.							
	Selling.							
	Cost.							

Called over by..... Priced by.....

Entered by..... ..... Extended by.. .. ..

.....Stocktaker. .....Manager.

CHAPTER XVII.

The Ledger Office—Purchases.

The Ledger Office.

The department of the office styled the ledger office, when separated from the cash office, is perhaps the best check upon the proper and efficient performance of the duties devolving upon the cashier, as well as preventing certain classes of fraud. The fact also that it is separate from the goods office causes the duties of each department to be interdependent, and yet so independent as to contribute to mutual efficiency. In a productive society, the ledger office collects the statistics relating to purchases, expenses, and sales, for the preparation of the trade account, and the posting and balancing of the personal ledgers. In a distributive society, the sales are of such a character that a separate self-contained department, directly under the control of the secretary, is requisitioned for their record.* In the case of both distributive and productive societies, share accounts, which differ so materially in their nature and entry from other personal accounts, are allotted to a separate department called a share office.† Thus in all points the proper and authoritative dealings with cash by the cash office is guaranteed. From the completed work of each department is gathered material for the balance sheet, which is the final trial balance, of which the departmental figures are an analytical abstract.‡ It is not our intention to discuss the principles of double-entry with regard to the personal and impersonal accounts or the compilation of the balance sheet, as these matters have been

* See page 183. † See page 78.
‡ See "Co-operative Book-keeping," page 185.

fully dealt with in "Co-operative Book-keeping," to which constant reference must be made, and with which the student will be acquainted on account of his having taken the third stage certificate in the subject. Nevertheless, we will deal in detail with those points of particular application on which the secretary will require more advanced knowledge.

The Invoice Book.

As the invoices for goods are received by the secretary* they are stamped with the date and handed to the ledger office for registration in the invoice book, prior to being handed to the goods office for verification with the records of goods received.† Thus the loss of any of these documents by mischance or carelessness is noted. The invoice should be stamped,‡ and given a progressive number as registered, and filed upon a "Shannon" file.§ Thus the progressive order of entry in the invoice book and the order of filing will agree, allowing of easy reference at any time to the documents. Separate files and separate invoice books should be allotted to the invoices from the Co-operative Wholesale Societies, as distinct from those which are ordinarily termed "general," or from productive societies or private firms, the contents of each file having their own progressive numbers. The registration will be simply of the date and number (and in the case of general invoices, the name of the firm also) but not the amount, as the discount will have to be deducted by the goods office.|| Similar files should be kept for credit notes, and the invoice book relating to them will be similarly ruled, and styled the returns book. The invoice book will have columns for the total, and also the departmental analysis, that is to say, for each department or shop which receives goods direct and not by transfer.¶ As we have assumed a warehouse for each department, and charged

* See page 51. † See page 190. ‡ See page 191.

§ See page 16. Separate files might be kept for paid and unpaid invoices. || See page 192. ¶ See page 237; also "Co-operative Book-keeping," pages 209 and 288.

out therefrom to the shops by transfer,* the analysis will be under such departmental heads, such as "grocery," "drapery," "boots and shoes," and "coal"; also "bakery," if purchases are made by them direct, and not through the grocery warehouse. It is contended by many that the analysis should include *all* invoices,† including classes of expenses which are not in the nature of goods, such as income tax, rates, insurance, &c. In such a case a personal account will have to be opened for each person or authority from whom the demand note is received. We are inclined, however, to the view that if the method of treating them as double transactions‡ be carried into effect, it will prove to be more satisfactory in practice, as well as saving the entry of the personal accounts. The expenses§ also in the form of goods, such as coal, stationery, &c., will have been received through the grocery warehouse goods receiving book, and thus be analysed in the invoice book under this heading, the charge to expenses being made by transfer,‖ so that, unless a separate goods receiving book be allotted to expenses and the transfer not charged, the analysis of these invoices in the invoice book under separate headings would result in a double charge to the expenses, to the advantage of goods purchases. Again, care would have to be taken not to charge the selling price of these invoices to the warehouse leakage account.¶ The manner of paying for butchery goods, either in carcase meat or live stock, by the receipt being acknowledged on the invoice itself, makes it more satisfactory to deal with these also as double transactions, as "dummy" invoices should be avoided as far as it is practically possible. The invoice book of the general invoices should be totalled on each separate page, and summarised at the end of the book, rather than carrying forward continuous totals, thus rendering an error easy of

* See page 189. † The analysis of the purchase book of a productive society, however, will be according to the class of materials and stores used, that is to say purchases or expenses in the form of goods.

‡ See "Co-operative Book-keeping," pages 42, 209, 279, and 282.
§ Also fixed stock. ‖ See page 247. ¶ See page 239.

rectification and without affecting a long series of figures. The totals of the invoice book for the "Wholesale" invoices should be made continuously for the week to the point that they are covered by the Wholesale Society's weekly statement.*

The Trade Ledger.

No trade ledger is required for the Wholesale personal account, the summary of the invoice book taking its place, so that the posting to trade ledgers is entirely confined to the "general" invoices. The ledger might be in a loose leaf form,† and may be worked in one of two different methods. If the pages are arranged in machine-numbered progressive order, an alphabetical card-index‡ should be provided to guide the clerk from the name to its registered folio. The pages will be ruled, and the ledger balanced and proved at the end of the balancing period in the manner set forth on pages 212 to 217 of "Co-operative Book-keeping." It is a good plan to post from the invoices, entering the ledger folio in the space provided on the stamp,§ and thus giving the cross reference to the invoice in the trade ledger, which also acts as a guide to the entry in the invoice book. The postings can then be independently checked by following the invoice book items into the ledger, the ledger folio being entered into the column provided in the former, this cross reference becoming proof that the work has been done. This trilateral verification will be found to be very effective and useful in balancing the accounts. When a page that belongs to a previous balancing period is completed, and therefore will not be further required, as it ceases to be current, it should be transferred to a vertical file|| arranged alphabetically, and thus the account with a firm for a long period can be examined without diving into old and musty ledgers, where the folios for the same account

* See pages 321 and 322. † See page 384. ‡ See page 144.
§ See page 191. || See page 160. A blank leaf of the same number (with a sub-number to show the progression of the account) will be substituted to continue the sequence of folios; thus a creditor is always identified by the same number of the folio.

do not agree, and where often the reference from one to the other has been omitted, and the index lost. By this means a vast number of unused pages may be saved, and the necessity will be obviated, where a sufficient number of leaves for a growing account has not been originally allotted, of carrying backwards and forwards to blank leaves throughout the book, with the probable errors in carrying forward, or in missing items necessary for the analytical abstract.

Trade Ledger for Productive Societies.

Another method may be adopted in the case of productive societies, where the invoice books are totalled monthly, *and* a monthly pay day is strictly adhered to. The trade ledger may then be in loose leaf form, with alphabetical tabs,* sub-numbers only being given as stated. The sheets will not be ruled in analytical form, but with simple debit and credit columns. The invoice book is entered in the ordinary manner, but the invoices, credits, and cash payments are not posted to the trade ledger until the end of the financial month, when they are taken from the progressive file, rearranged in alphabetical order (the invoices of each account in datal order), and placed into a "Shannon" binder† under alphabetically indexed guide sheets. The work of posting is thus materially lessened, as the pages of the alphabetical loose leaf trade ledger are in the same order as the invoices. The ledger accounts are then followed with the statements,‡ a list is made of the balances, and the cheques drawn by the cash office as per list. The payments and discounts are now posted to the ledger, which should close every account, the same being then ruled off. It is seen that there is no balance owing brought down except at the end of the balancing period, when special stocktaking statements will be requested from merchants, and checked therewith, the monthly settlement being con-

* See page 400. † See page 48.

‡ The account sent by a merchant for payment monthly, in which is entered the particulars of the dates and amounts of the invoices charged and credits given since the last monthly payment.

tinued as before. It will be seen that by this method the analytical ruling of the ledger becomes unnecessary, as also the analytical abstract.* A monthly purchases adjustment account† will be prepared to prove the entries every month, in which there will be no balance to commence or to end, except at the beginning or the end of the balancing period. An invoice in dispute, on which payment is suspended, would be extracted from the invoice book for the current month and placed upon the progressive file for the subsequent month.

The Wholesale Societies' Invoices.

We have said that invoices from the Co-operative Wholesale Society are separately registered and filed, that a separate invoice book is appropriated for their record, and that no trade ledger is required. By this method we are able to ascertain the purchases from the Wholesale Society during the balancing period, and their analysis under the various departments, and ascertain what percentage of the general purchases for the half year they represent in total and in detail. This course has three advantages. In the first place, it allocates errors in the Wholesale weekly statement‡ which can be proved separately. It also shows the extent to which middle profits are being obtained (through the Co-operative Wholesale Society's dividend) for division among the members through the increased amount of the profits per trade account occasioned thereby; and it also reveals the extent to which the Wholesale goods are required to meet the demand or satisfy the taste of the co-operative consuming public.§ The invoices (and credits) should be continued in total to meet the weekly statement of the Wholesale Society, the addition of the total column agreeing in cross total with the additions of the analysis columns. Here again the question of separating expenses invoices in the analysis need not be raised, if the goods are charged to

* See "Co-operative Book-keeping," page 216.
† *Ibid.*, page 217. ‡ See pages 321 and 322. § See page 179.

the grocery warehouse and charged against the expenses by transfer in the goods office. No discounts are allowed by the Wholesale Society, so that on registration of the invoice, prior to its being passed into the goods office, the amount might also be entered. When the weekly statement comes to hand it should be examined to see whether the items of goods and credits agree with the weekly totals of the invoice book, and, if incorrect, the matter should be at once investigated. The Scottish Wholesale Society give the details of the invoices on their statement, which can thus be the more easily followed, often saving much valuable time. The weekly charge or credit is entered in total and analysis into a summary as given on page 324, the entries of the cash payment and balance being made in the columns provided. The total of the cash column will be the total payment to the Wholesale Society during the balancing period, as per the separate line appropriated to these payments in the summary cash book.* The balance to end of each line, representing a week, will be the balance to begin on the following line, and this method of entry is continued until the end of the half year. Where the balancing date occurs in the middle of the Wholesale Society's financial week, an interim total is made of the invoice book, the interim balance made (which will be the balance as per balance sheet, among the liabilities), and, being brought forward, will resolve itself again in the subsequent period to agree (with the addition of the succeeding invoices) with the balance of the succeeding weekly statement. Thus the invoice book and ledger are combined in a manner to facilitate the discovery of errors, and to bring into account at the balancing date all invoices which are chargeable to the half year's trading, without affecting the check which the weekly statement gives.

Cash Purchases.

Two classes of purchases are often and more conveniently

* See page 443; also "Co-operative Book-keeping," page 238.

dealt with in a different manner than by the entry of the invoice book and the posting to the trade ledger. These are the butchering purchases and the goods purchased for cash by the shop managers—a power which is sometimes to a limited extent conceded to them with regard to certain classes of goods such as farmers' produce. Purchases made by shopmen do not go through the purchase book or goods receiving book at all, but the records are produced by the shopman in lieu of cash in his returns to the cash office for sales.* These vouchers are passed to the ledger office, filed and numbered with a progressive number, but registered and analysed in a cash purchases book,† before being passed to the goods office; in the case of butchering vouchers, for the purpose of checking with the goods receiving book and purchase book of the butchering department,‡ and for entry into section A of the butchering cost accounts;§ and in the case of the vouchers for shop purchases, for the purpose of charging up at selling prices to the warehouse leakage account, or the shop leakage account, as the case may be.| In the former case, where they are dealt with through the warehouse to the shop by transfer invoice, the columns will be grocery and butchering; and also the farm, where pigs, sheep, &c., are bought for rearing purposes. In the latter case, in place of the departmental column "grocery," columns will be provided representing the various grocery shops. Any butchering accounts owing at the balancing date, representing the values of items in the goods receiving book not cleared by the invoice, or even if the invoice has been received and checked, the account has not been paid, will be treated as impersonal suspense balances, as in the case of carriage referred to later in this chapter.

The Purchases as per Trade Account.

In our discussion of the invoice book for general invoices we stated that the invoices are entered net, that is to say,

* See page 433. † See page 323. ‡ See page 267.
§ See page 285. | See page 246.

less discount, both in the total and analysis columns. This is the better method of treatment, as it reduces the labour of analysing discounts* in order to credit the departments that made the original purchases. The result will be that the only entries in the discount column of the cash book will be what are called "coppers," or fractional discrepancies between the amount actually allowed on payment by the merchant and the amounts deducted from the invoices. These amounts will have to be deducted from the totals of the invoices, less credits, in analysis to obtain the net purchases. The deduction of discount in detail from the several invoices has another advantage, as it gives the actual net balances in the ledgers, whereas, if they were gross, an estimated percentage would have to be taken to credit, or the laborious task performed of turning up all unpaid invoices and listing such deductions. The purchases, however, are not yet complete for entry into the trade account, on account of an adjustment being required for certain uncompleted records in the goods office. In the case of goods in transit not yet received, no invoice will have been passed by the goods office into the ledger office, and its registration will then be cancelled as far as the present balancing period is concerned, and re-registered in the new period. A better method would be to register its amount unchecked and take the value into stock, the manager signing the entry on the warehouse stock sheet, where it is clearly marked as goods in transit. The railway consignment book† also may have pages which are not cancelled by a reference to a credit note, showing that they are not in stock; yet, as no credit note has been received, the personal account has not been debited, and the society thus credited in the returns book. Similarly, there may be uncancelled pages in the claims book,‡ for which credit has not been given in the carriage account. With regard to carriage,§ it is usual to ask for a statement to the date of

* See page 192; also "Co-operative Book-keeping," page 218.
† See page 206. ‡ See page 205. § See page 196.

stocktaking, but the railway companies are often so dilatory in presenting it that an estimate has to be made. This should be prepared in analysis by the goods office from the items of the goods receiving book opposite which no cross reference has been made in the column "Carriage Invoice No."* Nor should the estimated amount owing to the society for rebate be omitted, which again can be obtained from the records prepared by the goods office.† All these items are in the nature of impersonal suspense balances,‡ which complete their double entry in the following period. They increase or reduce the ledgered purchases, and they must correspondingly be added to the liabilities or to the assets, as the case may be. For example, carriage estimated owing will be included among the "trade accounts owing,"§ and the claims and credits not ledgered included with the overpaid accounts as per trade ledger (generally for empties returned), and entered among the assets as "Owing for empties, claims, &c." Items of bonus on purchases from private merchants, and other unledgered cash receipts of a similar character, are generally deducted *per contra* by the cash office|| in the summary cash book from the cash paid for purchases, and consequently must be deducted in analysis from the purchases, but will not, of course, be included in the suspense balances. Similarly, the cash purchases will be added in analysis as per cash purchases book. Butchering accounts unpaid will also have been listed as explained above, and will be also dealt with as suspense balances and included in the trade accounts owing. If, however, these have been invoiced in the ordinary way, they will have been ledgered and will appear in the invoice book totals and the ledger balances. The purchases adjustment account will therefore be as set forth on page 320, thus obtaining the items in analysis for the purpose of the trade account.

* See page 200. † See page 195.
‡ See "Co-operative Book-keeping," page 259.
§ *Ibid*, page 272. || See page 444.

APPENDIX TO CHAPTER XVII.

PURCHASES ADJUSTMENT ACCOUNT.

	Grocery.	Drapery.	Boots and Shoes.	Butchering.	Coal.	Farm.
C.W.S. Purchases—Net						
Private Invoices						
Cash Purchases						
Owing—not ledgered						
Credits not ledgered last date....						
Less—						
Private Credits						
Discounts						
Bonus, &c., received.						
Owing—not ledgered last date.						
Credits not ledgered						
Net Purchases						

THE ADDRESSOGRAPH.

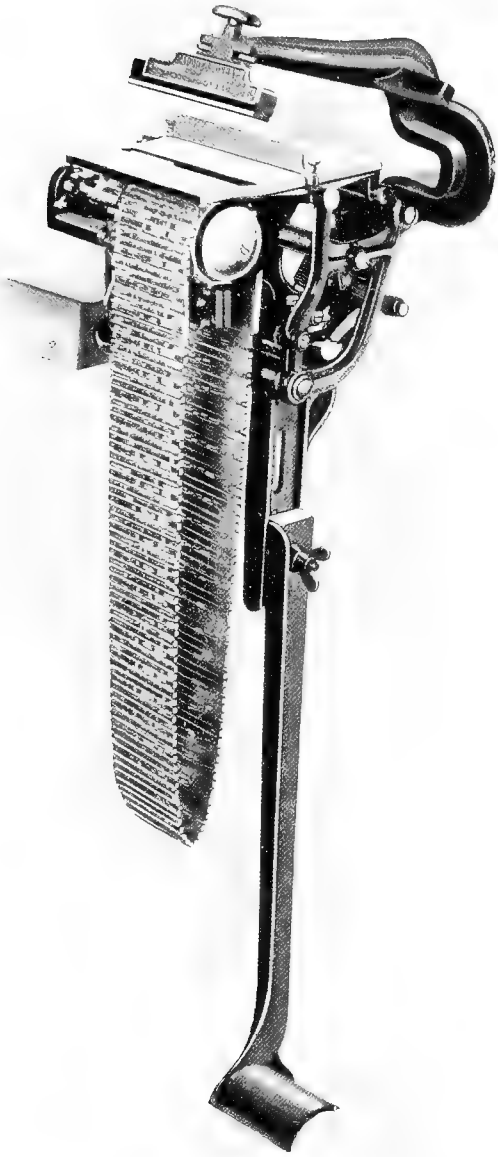


PLATE XXI

[*Kindly lent by the Addressograph Ltd.*

To face page 320

Folio.....

SUMMARY STATEMENT OF TRADE ACCOUNT.

THIRTEENTH WEEK ENDING JUNE 27TH, 1908.

The Playfair Co-operative Society Limited, in account with

Dr. THE CO-OPERATIVE WHOLESALE SOCIETY LIMITED, *Cr.*

1, BALLOON STREET, MANCHESTER.

1908.			£	s.	d.	1908.	£	s.	d.
June 20.—To Balance.....			240	2	8	June 20.—By Balance			
June 27.— ,, Goods.....	426	8 7				June 27.— ,, Cash	240	2	8
Less Returns, &c.	24	3 6							
			402	5	1				
June 27.—Balance due to you						June 27.—Balance due from you.....	402	5	1
		£	642	7	9	£	642	7	9

Any discrepancy in a Statement should be pointed out immediately.

WEEKLY STATEMENT OF ACCOUNT.

9th WEEK. LEDGER FOLIO, *1.*

161st QUARTER. 95, MORRISON STREET,

GLASGOW, *28th November, 1908.*

THE *PLAYFAIR* CO-OPERATIVE SOCIETY LIMITED,

Dr. **To The Scottish Co-operative Wholesale Society Limited.** *Cr.*

GOODS.									CASH AND CREDITS.									
DATE.	Amount of each Invoice.			Balance last Statement.			DATE.	Cash.			Credit.			TOTALS.		
	£	s.	d.	£	s.	d.		£	s.	d.	£	s.	d.	£	s.	d.
				93	*10*	*2*										
Nov. 23	*19*	*18*	*0*				*Nov. 23*				*1*	*17*	*0*			
,,	*1*	*7*	*7*				*24*				*0*	*2*	*0*			
,,	*0*	*8*	*4*				,,				*0*	*1*	*0*			
,,	*7*	*2*	*4*				,,				*0*	*2*	*11*			
,,	*0*	*6*	*0*				,,				*0*	*3*	*1*			
24	*0*	*7*	*8*				*25*				*2*	*15*	*4*			
,,	*28*	*19*	*1*				,,				*0*	*6*	*1*			
,,	*0*	*8*	*8*				*26*				*3*	*1*	*3*	*8*	*8*	*8*
,,	*3*	*17*	*3*													
,,	*1*	*13*	*3*				*28*	*93*	*10*	*2*				*93*	*10*	*2*
,,	*0*	*5*	*0*													
,,	*0*	*3*	*4*													
,,	*1*	*15*	*10*													
25	*3*	*9*	*6*													
26	*6*	*7*	*6*													
,,	*0*	*2*	*0*													
27	*0*	*4*	*0*													
,,	*50*	*3*	*11*													
28	*3*	*16*	*9*													
,,	*4*	*10*	*3*													
,,	*25*	*18*	*0*													
,,	*4*	*1*	*0*													
,,	*5*	*10*	*0*													
,,	*6*	*18*	*7*													
,,	*1*	*0*	*11*	*178*	*14*	*9*										
To Balance,											By Balance,			*170*	*6*	*1*
				£*272*	*4*	*11*								£*272*	*4*	*11*

All errors or omissions should at once be notified.

CASH PURCHASES BOOK.

Receipt No.	Name.	Amount.	Grocery.	Drapery.	Butchering.	Farm.

SUMMARY OF C.W.S. INVOICES & CREDITS,

This should correspond with C.W.S. Weekly Statement.

C.W.S. Statement, Week ended	Cash.	Balance to end.	Total.	Balance to Begin.	Net Goods.
	£ s. d.	£ s. d.	£ s. d.	£ s. d.*	£ s. d.
1					
2					
3					
4					
5					
6					
7					
8					
9					
10					
11					
12					
13					
14					
TOTAL.....					
Invoices and Credits since last C.W.S. Statement.					
TOTAL FOR QUARTER..					
	As per Cash Book.	As per Present Balance Sheet.		As per Last Balance Sheet.	Net Goods.

.....*ended*.....*190*

I—Invoices (entered in Black). C—Credits (entered in Red),

Brought from Folio.		Total.	Grocery.	Drapery.	Boots.	Coal.
		£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
	I					
	C					
	I					
	C					
	I					
	C					
	I					
	C					
	I					
	C					
	I					
	C					
	I					
	C					
	I					
	C					
	I					
	C					
	I					
	C					
	I					
	C					
	I					
	C					
	I					
	C					

£ s. d.

* Balance, as per last C.W.S. Statement last period.
Invoices and Credits up to previous Stocktaking.
Amount entered as Balance to Begin (see above).

CHAPTER XVIII.

The Ledger Office—Sales.

No Check Office in Productive Societies.

We have, in previous chapters, enunciated the principle that the sales of a distributive society should be specially recorded in a self-contained department of the office, styled the check office; also that the output of quasi-productive departments should be passed through the distributive departments by means of the transfer invoice. In the productive society, however, the duty of recording the sales is performed by the ledger office, and the particular mode of dealing with this class of transactions might be appropriately considered at this stage of the work. Here the sales are not to the consumer, but to the distributive depôt, and the prices are on the wholesale basis; the middle profit* made by the productive society being paid or credited in the form of dividend to the distributive society, which in its turn uses it to enhance† the retail profit returned to the members in a similar manner. Delivery,‡ in its legal sense, is different in productive than in distributive societies, for in the former case the nature of the trade and the general conditions of sale§ require delivery to be made by handing the goods to a common carrier,‖ or otherwise sending the goods to the buyer's place of business; whereas in the distributive society the delivery is made in the shop, the seller's place of business, unless express conditions are annexed to the contract for sale, such as delivery by cart, lorry, or van. With productive societies the vexed question

* See page 176. † See page 180. ‡ See page 164.
§ See page 166. ‖ See page 168.

of "credit" does not arise, as ready-money trade is impracticable, if not impossible. Nor is what is known as a check system necessary, or applicable, for dividend is not declared upon cash received, but upon the sales invoices served upon the buyer, less returns, and instead of being paid in cash, is often appropriated to him by passing a credit note in favour of his account, thus reducing his balance owing. As the sales are generally to distributive societies, and not to individuals, and are not so multifarious in nature and amount, there is a sufficient check upon the sales and dividend in the fact that a more or less complete scheme of book-keeping is in operation in the office of the purchaser; and the giving of credit itself entails the keeping of personal ledgers, and thus prevents errors which might occur where the only record is that of cash received.

The Sales Note.

In a productive society, the original source of entry for the financial books is the sales note,* which has been passed by the goods office into the ledger office, and which gives not only the quantity, description, and price of the goods sold, but also bears the signatures and references which prove the consignment to the buyer. These sales notes are filed after noon each day upon a "Shannon" file in alphabetical order, and numbered progressively in the space provided on the right-hand top corner of the documents. They are now ready for entry into the sales day book. The manner of ruling this book in tabular form† depends largely upon the particulars given in the balance sheet. The trade account may be made out in three ways, each mode of compilation being influenced by the nature of manufacture and the arrangement of the works. For instance, if there are three factories, then the members may reasonably expect to know the net profit as well as the gross profit made at each, and consequently the trade account will be

* See page 217. † See page 333.

analysed both as to purchases,* prime cost, oncost,† and sales. If the departments refer to distinct manufactures (though of a kindred nature) which are produced in separate parts of the same works, then the gross profit only is obtained in analysis, and the oncost and net profit shown in bulk,‡ the general percentage of oncost being taken as the basis of the cost accounts. In the former case, the cost accounts may be stock jobs or special jobs; therefore separate weekly cost accounts will be kept for each factory, to which a separate goods office is attached, which will also, if the jobs are special jobs, keep separate summaries or cost ledgers. In the second instance, the goods office will keep cost accounts for each general classification, which are usually in the nature of stock jobs. Where all the jobs are special jobs, then the trade account will be in simple form without analysis,§ but the output may be separately stated under the credit for sales, and then the sales day book will be analysed for this purpose. The nature of the manufacture may, however, permit this analysis to be ignored, as far as the trade account is concerned, in which case the sales day book analysis may be made to correspond with sections or districts covered by the travellers, and will give a ready means of calculation for the travellers' commission, which, though only actually paid upon cash received, must be debited to expenses, throwing unpaid commission among the liabilities at the balancing date. A corresponding analysis of the cash book|| will enable the ledger office to allot separate sales ledgers to districts and prove the sales in sections, thus allocating errors in posting, and the analysis of the cash book will be taken for the basis of the commission to be paid in cash to the travellers monthly or at the end of the half year as the case may be. It will also enable the manager to see at a glance the soil that requires cultivating to increase the returns. Where the trade account is prepared in departmental analysis at all the invoice book

* See page 335. † See page 260. ‡ See page 335.
§ See page 334. || See pages 434 and 443.

will have to be correspondingly analysed, as stated in the previous chapter,* but this will not be necessary if the sales are simply stated therein under classes of turnover, and the *general* gross profit ascertained, or if the sales are sectionalised in districts as stated above, in which case the analysis will not be required for publication, and the turnover will be given in one item in value as sales in the trade account. The particulars entered upon the foot of the sales note are the analysis for the cost ledger, and not necessarily for the sales day book, except where the cost accounts are for stock jobs,† or under commodity heads, and the analysis of the day book corresponds. A separate column will be provided in the sales day book for empties, which do not enter into the cost, as they are returned by the buyer, a credit note passed, and thus cancelled; or, if not returned, they become a credit to the packing account and do not enter into the prime cost. The sales returns book will be analysed in a manner consistent with the ruling of the sales day book. Where the analysis is in districts, then the total of the invoice, less empties, becomes the amount for analysis in the day book, the empties having a separate column allotted to them.

The Sales Invoice.

At noon each day the sales notes received since noon of the preceding day, which have been duly entered into the sales day book, are passed to the typists for the making out of the sales invoice, a suitable form of which is given on page 201. The sales invoices thus prepared are sent by first post to the consignee. It will be seen that the sales note obviates the necessity of entering the particulars into the sales day book, and if these particulars are required in the ledger, they are entered from the sales note from which the ledger is posted.‡ The "tally check strip," which is attached to certain makes of typewriting machines,§ has a variety of uses which will materially assist the ledger work,

* See page 312 footnote. † See page 261. ‡ See page 217.
§ See page 224.

as well as ensure accuracy in posting, especially where the day's invoicing is heavy; and will also save much labour at the balancing date, a time when the pressure of work has such a direct effect upon the nerves and health of the office staff. As each sales invoice is completed, by means of a lever the tally strip is brought into action and the amount of the invoice typed thereon. The total of the amounts on the tally strip should agree with the total of the sales day book, and ensures the correct entry of the charge on the sales invoice. When a sales ledger is allotted to each section or district, the invoices can be arranged on the file accordingly, and separate tally strips used, thus proving the analysis of the day book, an additional advantage to those previously stated.

The Sales Ledger.

It is a good plan to arrange the sales ledger upon the loose-leaf principle,* the accounts arranged alphabetically. Where sales are analysed in districts, a separate ledger should be allotted to each district. Only one folio number should be given to each account, even if the account covers a number of pages, and this number will then correspond with the number in the vertical file drawer, whether the guide tabs are arranged alphabetically or numerically. The advantage of taking a completed loose leaf which does not belong to the current balancing period and placing into a vertical file is noted here, as the particulars of the purchases of a customer over a long term can be referred to immediately, and consequently inquiries can be made as to why his account has decreased, either in periodical totals or in one class of goods. Easy reference can also be made as to whether his purchases are of such a character as to justify the expenditure of travellers' wages and expenses in calling upon him, when the time of the traveller might be more profitably employed; also whether the payments have been regularly made, or the balance owing has been un-

* See pages 384 and 400.

consciously increasing. Thus it can be noted whether the interest on capital invested by the society on the customer's current balances has not reduced the profit made upon his purchases in such a manner that it will have to be taken into consideration in pricing his future orders or contracts; for interest cannot be charged unless expressly agreed upon when the contract was made.* It is also a good plan to place the sales notes in the vertical file, either immediately or at the end of the balancing period, when the file for registration is cleared for the commencement of a new half year, thus facilitating reference to the particulars of a long series of purchases by the same customer. The sales notes will not only be arranged in the vertical file† in the datal order corresponding to the order of items on the loose leaf of the ledger, but the registered number of the sales note and the reference in the ledger account will also agree, thus proving the identification. The sales ledger will be ruled in a manner similar to the trade ledger,‡ an analytical abstract being made at the balancing date to prove the correctness of the entries. Columns will be provided on the credit side for discounts and credits, which should agree in total with the discount as per cash book§ and the sales returns book.

Discounts.

It will be noted that, unlike the manner suggested in the case of purchases, sales invoices are entered gross in the sales day book, although in the analysis for costing on the sales note the discount is deducted. The reason for this is that discount is only allowed on regular payments, and until such payment is made discount is not earned. Yet in the sales adjustment account the balances should be reduced by a percentage to cover discounts accrued but not due, and this amount correspondingly deducted from the sales, the subsequent period getting the advantage to

* See page 168. † See page 160.
‡ See "Co-operative Book-keeping," pages 204 and 205.
§ See page 454.

this extent to cover the deduction of the amount actually allowed with respect to these balances when paid and entered in the cash book.

Sales Returns.

Goods returned will be received by the warehouseman, a separate goods-receiving book being allotted for the purpose.* The goods office, after debiting the stock accounts† with the same, will enter up a credit note, price the same, and after obtaining the manager's signature, pass to the ledger office. These are treated similarly to sales notes, filed on a separate file, entered into the sales returns book, copies of the same being typed and sent by post. Where concessions in prices are made by the manager other than the ordinary discount, these should be made out by the manager, and treated in the same way as credit notes for goods returned. Care must be taken at the end of the balancing period to note that all the sales notes and credit notes have been entered into the day book and returns book respectively, even as the goods office will have carefully cleared all its stock entries by preparing the documents for this purpose.

* See page 189. † See page 214.

APPENDIX TO CHAPTER XVIII.

SALES DAY BOOK.

Sales Note No.	Name.	Total.	A District.	B District.	C District.	D District.	E District.	Empties.
		£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
Total								

(a) SPECIMEN TRADE ACCOUNT FOR PRODUCTIVE SOCIETIES.

	£ s. d.	£ s. d.		£ s. d.	£ s. d.
Stocks to begin :—			Sales :—		
Stock			(Under commodity head)		
Stores					
Work in Progress ..					
Purchases—					
Materials and Carriage			Stocks to end :—		
Packing Requisites.			Stocks		
			Stores		
Productive Wages			Work in Progress ..		
Productive Profit					
ESTABLISHMENT CHARGES :—			Productive Profit brought down		
Salaries ..... £			Bank Interest		
Auditors' Fees					
Rents, Rates, and Taxes					
Insurance					
Repairs					
Printing, Stationery, and Postage					
Packing, Paper, and Twine					
Horse Expenses ..					
Co-op. Union Subscription					
Labour Co partnership Subscription					
Advertising					
Bank Commission .					
Sundries					
FINANCIAL CHARGES :—					
Depreciation					
Interest—Shares ..					
Loans ..					
Mortgages					
Reserve Fund					
Net Profit					

(*b*) SPECIMEN TRADE ACCOUNT FOR PRODUCTIVE SOCIETIES.

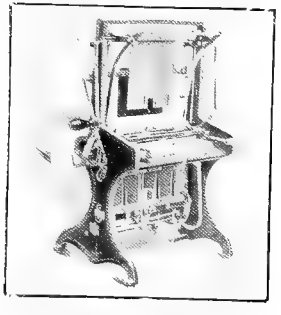
	A	B	C	Total		A	B	C	Total
Stocks to begin ..					Sales				
Purchases and Carriage ..					Stocks to end ..				
Productive Wages..									
Productive Profit ..									

ESTABLISHMENT CHARGES—		Productive Profit brought down.....	
Salaries..... £		Bank Interest	
Auditors' Fees			
Rents, Rates, and Taxes			
Insurance			
Repairs			
Printing, Stationery, and Postage			
Packing, Paper, and Twine			
Horse Expenses....			
Co-op. Union Subscription			
Labour Co-partnership Subscription.			
Advertising			
Bank Commission..			
Sundries			
FINANCIAL CHARGES—			
Depreciation			
Interest—Shares ..			
Loans ...			
Mortgages			
Reserve Fund			
Net Profit			

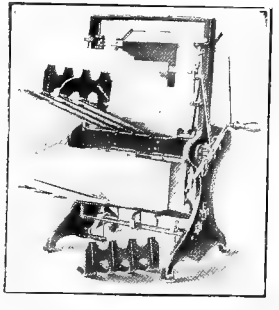
(c) SPECIMEN TRADE ACCOUNT FOR PRODUCTIVE SOCIETIES.

	Manchester.	Newcastle.	London.	Total.			Manchester.	Newcastle.	London.	Total.
Stocks to begin ..					Sales					
Purchases and Carriage					Stocks to end					
Productive Wages .										
Productive Profit. .										
ESTABLISHMENT CHARGES:					Productive Profit brought forward.					
Salaries										
Auditors' Fees....										
Rents, Rates, and Taxes										
Insurance										
Repairs					INTEREST:—					
Printing, Stationery, & Postage..						£ s. d.				
Packing, Paper, and Twine					Shares					
Horse Expenses ,..					Loans.....					
Co-op. Union Subscription					Mortgages..					
Labour Co-partnership Subscription					Reserve Fund					
Advertising										
Bank Commission.										
Sundries					*Less* Bank					
FINANCIAL CHARGES:					See Contra					
Depreciation and Interest.....										
Net Profit.....										

THE "SIMPLEX" SEALER.



Showing the sealing mechanism.



Showing the carriages for the sealed and unsealed envelopes.

PLATE XXII.

[Kindly lent by the Rockwell-Wabash Co., Ltd.

[illegible] page 336

CHAPTER XIX.

The Ledger Office—Wages.

Expenses.

Though the departmental divisions of the office provide for the interlacing of duties with regard to goods, shares, and cash, so as to guarantee an independent check upon the records, they will at the same time enable the secretary to gather together the various results from week to week and from half year to half year and prove their consistency with each other, though obtained along separate and distinct channels. Expenses, however, are of such a nature that, with the exception of wages, it is wise for him to deal with their records himself, and thus keep them under his direct and personal control. The rate of expenses upon sales depends largely upon circumstances which are the result of the committee's ruling, based upon the advice of the secretary or manager. The depreciation of a building too expensive for the purpose required, insurance of property on a basis improperly estimated, the investment of surplus capital without a reasonably adequate return, expensive repairs made at random and at spasmodic intervals; machinery left idle, or not worked at the full capacity, and yet carrying interest and depreciation against the profits; the improper charging of repairs to fixed stock; extravagance in coal and gas; unreasonable assessment for income tax and municipal rating; improper payments for services rendered, or contrary to the rules; or charges requiring special treatment in the balance sheet. All these matters, and others of a kindred nature, require the personal attention of the secretary, and the expert advice of the public auditor; and he would be unwise who placed the perform-

ance of this duty upon another's shoulders. Yet we make an exception in the case of wages, for in a productive society they are part of the prime cost of the goods, and are of such an extensive nature as to require clerical labour, which the secretary is unable to perform personally; and in both classes of societies the methodical preparation of the weekly wages sheets by the ledger office will itself be an excellent check upon the cash office.

Productive Wages.

Wages in production is the cost of labour expended upon raw material. By its use the crude article becomes the beautiful and highly-finished product, ready for the purpose of the consumer for whom it was manufactured. Competition in prices, which should be carefully discriminated from competition in quality, has prevented the manufacturer from obtaining an unreasonable amount of profit from the consumer, whether as remuneration for the use of his capital or for his skill in management and enterprise. To prevent the manufacturer from taking an unreasonable advantage of the worker by reducing his wages, and thus lowering his standard of living (apart from the baneful effect it would have upon the quality of his work), organised labour, in the form of trade unions, have watched his interests and fixed a scale of wages which they can only enforce by the clumsy weapon called a "strike," to provide funds for which a continuous charge is made upon the members. Retaliatory measures have accordingly been called forth on the part of employers, who, similarly organising themselves and providing funds for losses thus caused, have replied by what is termed a general "lockout." It may be accepted as a principle, speaking generally, for reasons we need not dwell upon here, that an exclusive home market is impossible; that is to say, where raw material and food (the raw material of labour) can be obtained and the output consumed within the same national boundaries; and especially is this the case with regard to Great Britain.

The British people procure their food and materials from other countries, and they cannot themselves consume the output; yet by this means employment is provided for the excess of population beyond what would be required for purely agricultural and mining purposes. The prices prevailing in the international market, whether protective barriers exist or not, will affect indirectly the production. When the international demand is greater than the supply prices are high, better wages are paid, employment is good, and profits are great. The impetus given to trade causes over-production and over-buying, and when the reaction takes place the supply exceeds the demand, competition becomes keen and at what are called "cut-throat" prices, wages are reduced, strikes and lockouts occur, the workers and the machinery are idle, while the world sits down to digest the over-production. In the lean years the capitalist lives upon his capital inflated during the fat years, and the labourer ekes out his existence for a time on strike pay, unless he has been wise enough to save from his wages when the times were good. There is always a fear that when troubles between capital and labour occur some other country will seize the advantage thus gained and obtain the whole of the reduced trade, instead of its usual share, and gradually the clumsy methods of picking a quarrel between capital and labour in order to meet the natural variations in the market are being discarded in favour of conciliation boards, round-table conferences, and, in particular cases, what is called short time, or reducing the weekly hours of labour at the standard rates, thus reducing the output to meet the decreased turnover. The elasticity of the co-operative method of co-partnership, by which the workers become capitalists and receive a proportion of the profits, would appear to be an equitable solution of the labour question, and, if so, there is a broad field for co-operative effort in production both in home and international markets. In providing in the rules for the payment of bonus on wages, it should be stipulated to be a fixed proportion of the net

profit, which will vary as the bulk profit increases or diminishes; and not a fixed amount per £ of wages, or an amount varying, according to the generosity or otherwise of the directors, in the particular half year, depending chiefly upon the rate at which the balance will work out per £ on the consuming members' purchases, after the usual interest on capital has been provided for. Bonus is not wages; it is a share of the profits, and in considering the wage list the bonus should not be taken into account. The bonus is reserved to them independently and in addition to the standard wages, just as in the case of distributive societies the dividend is, or should be, an amount returned to the consumer apart from the price of the goods, which should be at market rates; for otherwise the member is merely using his purchase book as a deposit account for a portion of his income, by the same being put upon the price at which he would have bought the goods. Wages elsewhere are a part of the cost of working the concern, and are charged to the trade account; but bonus enters into the disposal of net profit.

The Wages Clerk.

Dealing in the first place with productive wages, which are included in prime cost,* we note that, as the wages are paid upon hours spent in labour, a correct record must be kept upon the times of commencing work, intervals for meals, and overtime, which commands a special rate of pay. A proper method of recording the hours of labour should therefore be devised, under the control of a wages clerk, who is directly responsible to the secretary, and not to the foreman or works manager, and whose records are embodied in the work of the ledger office. Often the duties are fulfilled by a commissionaire, who has a little coupé or partition near the entrance to the works, and who also deals with inquiries, either personally or by telephone, directing them along their proper channel. If the production is in the nature

* See page 260.

of special jobs,* the wages are obtained in two ways, one checking the other. The first is the weekly wages on which payment is made, and the second the allocation of the time spent on each job for the purpose of costing.† Where the work is for stock jobs, however, the weekly wages sheet is taken as the basis of the weekly cost account.‡

Stock Jobs.

Wages are generally paid on a Friday, being calculated upon the hours at work up to and including the previous Thursday. There are several ways of recording the time. Perhaps the method adopted in the majority of works is by means of the "tally," or a brass token, on which the number of the workman is engraved. This is handed to the employé, who on entering the works places it in a box, which is taken away at the hour of commencing work, and a late box substituted. The late comers are noted specially by the wages clerk in a time book, and also the hour he presents himself, and the lost time is charged against him. Before the engine is stopped at noon these tallies are placed upon a board upon hooks arranged in numerical order, and the board is hung up near the entrance, each workman taking away his tally on his way out. The same procedure is gone through after the noon interval and at closing time, and tallies left on the board will represent those workmen who are working overtime, and a night official will book the time of departure as they leave the works. There are several ingenious mechanical methods on the market in which a clock is attached to a registering device, and as the workman enters or leaves he takes his own key from a peg, and, placing it into an aperture designed for the purpose, registers his number and time upon a roll by the act of turning the key.§ The "International"‖ recorder registers

* See page 214. † See page 264. ‡ See page 281.

§ By the "Dey" Recorder (see page 432) no key is required, the arm having attached to it a peg for insertion into the slot, representing the workman's number.

‖ See page 448.

by means of a card, which is ruled to represent a week,* and the workman takes his red card out of a pocket on the "out" side of the clock, and, inserting it into the machine opposite the proper space, registers the time thereon by the action of a lever, after which he places the card in a pocket on the "in" side of the clock. The same procedure is gone through on his leaving the works. The value of this invention is that, as the workman registers his own time on his own card, no dispute can arise between him and the society. Spaces at the head of the card are provided for the calculation of the weekly wages, the overtime, extras, and lost time; also the signature of the wages clerk who has made or checked the entries, and the signature of the worker on receipt of his wages. The minimum of clerical labour is required upon the wages sheet, which simply gives the name and number of the workman, and the amount. The wages sheet should always be signed by the foreman or works manager, and paid by the cash office, to whom the wages sheet eventually is passed, the cash clerk signing at the foot after he has made the payments. It will be seen that this method also guarantees the correct payment of wages, even if no signatures are received, for in many cases this course is impracticable and tedious, on account of its interference with the production, and is consequently generally omitted.

Special Jobs.

Where the work is on special jobs, a white job card,† is also used, which bears on one side the foreman's instructions with regard to the work or some sign or mark denoting the particular process with which that particular workman is identified; and on the other, spaces for the hours he has spent in doing the work. These cards are handed to the workman with the number of the special job, and his name and number. The workman enters up this card himself, and when he has finished the job he hands it to the wages

* See page 348. † See page 349.

clerk, who at the end of the week counts up the hours to see that all the hours for which he is paid wages are accounted for on the job cards. They are then charged up to the cost accounts by the goods office, in the manner explained in Chapter XV. The "International" card recorder is particularly adapted for the entry of the time upon the job card, and prevents errors, for the workman must register at the same time another job card representing the new job he is to commence, so that there is no inconsistency between the time on the jobs and the time on the wages sheet. The job card is a very valuable record, as it at once demonstrates by comparison with similar jobs, or the last order for the same job, any leakage in time on jobs through a careless, slow, or gossiping workman.

Piecework.

In certain departments of a distributive society, such as tailoring, the work of some of the hands is on piecework. The price fixed upon for each process will be entered upon the job slip attached to the goods ;* nevertheless, this is not sufficient for the basis upon which the wages at the end of the week will be paid. A wages note, in the form given on page 351, will be handed to each worker at the beginning of the week, and he will enter thereon the number of the job, the wages earned on each day, and these entries will be added in bottom total and cross total, signed by the departmental manager, and passed to the ledger office for entry in the wages book. The total weekly wages paid, compared with the weekly entry in the cost ledger, will thus check any inaccuracy in the wages paid or in the costing. Where in certain departments wages are not on piecework, but based upon hours spent upon the jobs, then the same plan will be adopted, except that instead of amounts being entered in the columns, the number of hours will be entered and totalled, and the value entered and checked by the departmental manager and the ledger clerk respectively.

* See page 270.

"Subs."

It is the custom in some works to allow the foreman to "sub" needy workmen, that is to say, allow them a few shillings in advance of their wages; but it is a doubtful practice, and not conducive to discipline. If such is in vogue, a certain floating balance is left in the hands of the foreman, who is recouped when the wages are paid, a list being kept by him, and submitted to the cashier for deduction. This fixed floating balance is kept intact and treated as cash in hand in the cash account,* and frequently produced to, and counted by the cashier.

Distributive Wages.

It must be confessed that, in spite of the pride with which co-operators regard the principles on which their organisations and methods are founded, the same labour troubles that have arisen in private trade have caused the shop assistants of co-operative societies to organise to protect themselves. The anxiety for large dividends has been the means of squeezing labour almost to the point of "sweating;" in fact, shameful cases of sweating have now and then been exposed to the ridicule and condemnation of an unsympathetic public. The Amalgamated Union of Co-operative Employés has therefore done good work in watching the interests of distributive labour, and ensuring that its reasonable claims have been brought before the notice of co-operators in such a manner as to obtain full and fair consideration. It has not yet been sufficiently recognised that the manner, address, and personality of the shop manager has much to do with the extent of his trade, and he should receive a wage sufficiently adequate to guarantee his best service, which is only obtained by increasing his self-respect and removing grounds for discontent. The minimum wage which is now being adopted by societies, after an agitation of a character that is praiseworthy on account of its moderation, is proving to have an

* See method of treating till cash, page 435

advantageous effect upon the trade and profits of the societies which have adopted it, instead of the reverse as shortsighted people have feared. Though from experience we cannot endorse the principle of giving an employé a vote at the general meetings of the society,* there is much to be said for a system by which the recommendations of employés' meetings should be brought to the committee or members through the mouth of an accredited representative. It is to be feared that there exists in the distributive side of the movement an excessive amount of labour by youths under age, and there is a need for a movement which will organise and define schemes of apprenticeship, and decide in what proportion apprentices shall be employed in conjunction with adult labour in the shops. How often have we seen cases where a shop manager has had to leave the shop at the dinner hour to a couple of raw youths, whose inexperience prejudices the customer, and before whose sense of irresponsibility is presented all manner of temptation for fraudulent dealing with cash and goods. The secretary has his staff always under his personal oversight, but the decentralisation of sales gives the shop assistant hours of opportunity for deeds of which the general manager, from the nature of the business, can know nothing. The best guarantee of a shopman's honesty is to arrange the accounting so as to remove temptation from before his eyes, *and to give him a good wage.* There are mines of trade which co-operation has not as yet tapped among people whose somewhat higher tone of life demands a more fastidious method of distribution. Bright shops, clean counters, polite service, prompt despatch, fastidious handling of foodstuffs, clean and accurate accounting—all these make for trade, in addition to the quality of goods, for sight and taste are closely allied, and consequently these matters depend entirely upon the person of the employé.

The Wages Book.

Wages are always treated as double transactions,† as it

* See Chap. XXXI. † See "Co-operative Book-keeping," page 44.

is useless clerical labour to pass a dummy invoice through the invoice book, and post to a wages personal account to be balanced by the posting from the cash book entry for the same day. They are therefore posted direct to the impersonal account for expenses. The wages book should be entered by the ledger office, according to the weekly wage as per original minute of the committee, except in the case of piecework, or productive labour paid upon hours spent on the work, when the wages note* will be the voucher from which entry is made. Where an increase in wages has been made, the secretary should enter the minute book folio and his initials over the item of the first week when such increase takes place. The wages sheet† should be in weekly columns, extending across the page representing a quarter, outer columns being provided for transfers, add and deduct, and a departmental column. The names of the employés should be arranged in the order of departments, beginning with the office (including the manager and his clerk), continuing with the distributive departments in order of precedence, and ending with the productive departments. Sub-divided under the distributive departments will be the warehouse and the several shops, every employé of each being stated in order of precedence as a guide to the committee. The bottom total will represent the weekly amount paid in wages by the cash office. At the end of the quarter the cross totals are made, and should agree in total with the cross total of the weekly additions. The cross totals in detail are then carried out in departmental total into the outer departmental column. The transfer columns are for the departmental adjustments where an employé has spent a portion of his time during the quarter in assisting some other shop or department. The particulars are now in a complete and ready form for the departmental apportionment account.‡

* See page 351. † See page 350. ‡ See page 535.

Payment of Wages.

The wages sheet thus prepared by the ledger office should be handed each Friday to the cash office for payment. With companies receipts are seldom taken for wages, the internal check being considered sufficient on account of the number of hands through which the records of wages have passed, and also through there being a fixed rate in the case of weekly wages, and a wages note in other cases. In a small society, where there cannot usually be this independent check on account of the small staff, it might be considered absolutely necessary. A good deal depends upon the requirements of the public auditor, who acts on behalf of the members, and who will judge according to the particular circumstances of the society in question. Where the shopman is allowed to deduct his wages from the sales—a doubtful practice—a signed receipt should always be produced to the office in lieu of cash. Where there is a large pay-list, great care must be taken to prevent errors in payment and in balancing. The wages cheque should be drawn separately, and exchanged for the coin in the required denominations, which should be placed in tins or envelopes, and balanced before payment is made. Some firms find the new wages-paying machine valuable for this purpose,* by which the coins are inserted in the tins by the action upon a keyboard. Where envelopes are used, if made with a crisp, transparent paper, they will reveal the contents to the receiver as well as to the society, and thus assist the immediate detection of errors in balancing, or compensating errors in making up, and avoid unpleasant disputes after the workman has left the premises.

* See page 464

APPENDIX TO CHAPTER XIX.

WAGES CARD.

Name..... No.....

	Hours.	Rate.	£	s.	d.
Wages per week					
Overtime					
Less lost time					

Signature of Wages Clerk .....

Day.		In.	Out.	In.	Out.	L. T.	O. T.	Total.
F	A.M.							
	P.M.							
S	A.M.							
	P.M.							
M	A.M.							
	P.M.							
T	A.M.							
	P.M.							
W	A.M.							
	P.M.							
T	A.M.							
	P.M.							
				Total hours.....				

Received by

.....

JOB CARD.

No. of Workman, ... Job No., ...

		Begun.	Stopped.	Restart.	Finish.	Total.
F	A.M.					
	P.M.					
S	A.M.					
	P.M.					
M	A.M.					
	P.M.					
T	A.M.					
	P.M.					
W	A.M.					
	P.M.					
T	A.M.					
	P.M.					

Date ..... Total .....

£ s. d.

COST: hours, at ,

Cost Ledger Folio .....

Signature of Wages Clerk.....

WEEKLY WAGES SHEET.

Department.	Shop.	Name.	No.	Fourteen Weekly Cash Columns.	Total.	Add.	De-duct.	Depart ment.

PIECEWORK WAGES NOTE.

Name..... *No*..... *Date*.....19..

Job No.	Friday.	Saturday.	Monday.	Tuesday.	Wednesday.	Thursday.	Total.
	*						
Total.....							

† *Wages earned* *hours at* , £ : : .....*Manager.*

† This is necessary when the work is paid upon the basis of hours.

* Value on number of hours according as the work is paid on a price per piece, or the hours spent thereon.

CHAPTER XX.

The Check Office—What is a Check System?

A Controversial Subject.

"A reliable and complete check system is one of the most urgent problems within the co-operative movement to-day." Such was the statement of a leading co-operative manager* in the *Co-operative News*, and every secretary with a modicum of experience will echo the phrase. The systems in use are many and various, each with its enthusiasts and its critics. Yet the question of check systems, though perhaps one of the most controversial in character, must be boldly met in a secretaries' treatise, on account of the supreme importance of the subject. We will, therefore, select what are, in our opinion, the systems worthy of note, and endeavour to lay down the principles which should guide judgment; and in our consideration of the systems thus selected, translate as far as possible into practice these principles we would defend, leaving the student to judge for himself the extent to which each system carries them out efficiently.

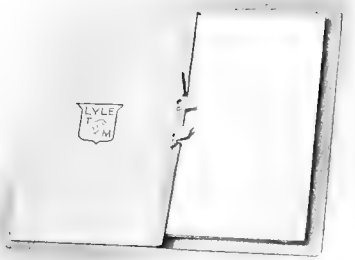
What is a Check System?

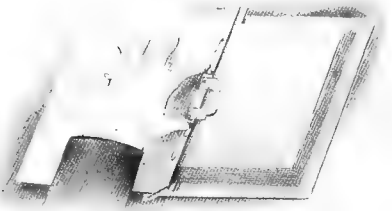
The co-operative movement rests almost entirely upon the goodwill of the consumer, upon whose capital and trade the society is built, and whose chief interest is the dividend or deferred discount upon his purchases. Out of this self-interest emerges the community of interest, or the idea contained in the pithy co-operative phrase, "All for each and each for all." Distributive† trade is of such a character that the items of sales are of small amounts, multifarious

* Mr. R. J. Wilson, Editor of the "Co-operative Managers' Text Book."

† See page 182.

THE INDIVIDUAL FILE.





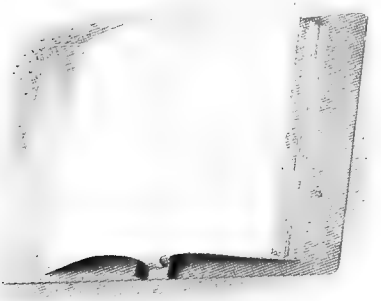


PLATE XXIII

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in character, and frequent in occurrence. These have to be recorded in a manner necessarily elaborate on account of the nature of the trade. The method adopted should not only show the sales at the shop, or department, for balance sheet purposes, and for the credit of the leakage account,* but also should verify the amount of cash handed over; also the accuracy of the balances owing, if credit is given.† Again, it should correctly tabulate each member's purchases, on which the dividend is computed, in such a manner as to prove with the sales, just as the total postings into a ledger should prove with the totals of the day books and cash books. A check system is a method of accounting to provide these results automatically and in an authoritative manner—that is to say, enlisting the co-operation of each individual concerned in the sales, so as to compel him, within his own sphere of responsibility and self-interest, to vouch for the straightforward dealings of the other parties concerned in the check. Erroneous ideas as to the meaning of the term have arisen out of the fact that in certain check systems metal tokens or paper slips called "checks" are brought into requisition, whereas a "check system" actually means a system which acts *as a check* upon sales; and if the method does not effectually provide this check, it cannot be regarded as a check system. A complete and reliable check system *should guarantee the automatic and authoritative co-operation of the member, the shopman, and the office; and the records should be easy of identification, and available at any time for examination.* The secretary, therefore, whose advice is often largely relied upon in the consideration of such an important matter, should bear in mind these root-principles, which no one would be so rash as to dispute.

The Trading Pass Book.

Perhaps the earliest form of check system was by means of a trading pass book held by the member, in which the

* See page 240. † See pages 364 and 389.

cash paid was entered by the shopman, a similar entry being made in a counter book in the shop. To each entry in the latter the number of the member was denoted, giving a guide to the office for the posting to the members' personal ledger. At the end of the balancing period, the books had to be brought in and compared with the ledger accounts prior to the calculation of dividend. In many societies this method is still in use, and "book" societies rank among the more successful ventures in co-operative distribution. The practical objections to this system have been the errors in the entry of the share number in the counter book and in the posting of the ledger, the immense labour in turning up accounts backwards and forwards in the ledger, the posting of halfpennies, and the difficulty in getting all the books at the quarter end, which have to be examined and totalled before the ledgers can be proved; whereas in addition, where credit is given, differences in balances between the pass book and the ledger cause disputes between the member and the shopman, which affect the dividend of the former and the shorts and overs of the latter. These cannot be easily rectified at the quarter-end, when usually the circumstances of the transaction have been forgotten.

The Metal Check.

The above difficulties caused a great many societies to adopt the metal check system, which was much easier in operation, demanding less onerous office work, but which is immensely inferior to the book system as a check upon cash received; and, as it was only applicable to cash, has caused the use of the shop ledger for credit, a method which cannot be too strongly stigmatised,* for an unscrupulous shopman can use a list of shop debts in a manner to render his trade results and his leakage account of little value. The metal checks are distributed to the shopmen (a careful account being taken by the check office of the issue), and they are reproduced by them either in specie or in their face

* See page 389.

value in cash received for sales. In the hands of the members these tokens represent dividend value, and are produced by them for the purpose of dividend on a check day at the end of the quarter. Though this system is still in use in many societies, yet it is universally condemned on account of many unsatisfactory features. Perhaps the most important ground for condemnation is in the fact that thousands of checks are in the hands of members and non-members on which there is a floating liability for dividend, which cannot be ascertained on account of the fact that the non-members' checks and members' checks have no individual identification. Again, the rate of dividend depends upon the chance as to the number of checks brought in, whether representing purchases for the balancing period or for past periods, and thus the dividend is not declared according to the profits actually earned. Thus the principle is abandoned which entirely reserves to the member a claim for dividend according to the rate actually made during the period.* Frauds innumerable are not only possible, but have often occurred in the manipulation of metal checks, such as collusion between the persons in charge of the issue and receipt of checks, whether the office and the shopman, or the shopman and the member, the requisite co-operation of the third essential to the check (see page 353) being impossible in each case. Checks that are lost or have disappeared in transit may find their way *unrevealed* into a shopman's cash drawer or into a member's dividend claim. Frauds occur in changing small tokens for pound checks, and in the transfer of checks from the purchaser (to whom they are worth dividend value only) into the cash till, where their face value can be reckoned, the difference being appropriated in cash without fear of discovery, and the reduced credit to the leakage account made up in the fraudulent manipulation of goods;† for as there is no identification to the check with regard to its particular purchase, either in amount or date, the fraud remains unrevealed. Though

* See, however, page 566. † See page 242.

from the office point of view the system requires the least clerical labour, to the shopmen it is onerous and tedious. They represent to him so much cash for which he has to account. Like coin, they are in various values, and have continually to be arranged in classes, counted, and recounted. The experience of secretaries, shopmen, and other officials alike condemn the method, and even if a paper scheme is combined, with a central cashier who exchanges the paper check given by the shopman for the metal checks, we do not ourselves feel justified in advising its use, though the combination reduces many of the objections urged against the metal check system. A registered ticket system, which had been suggested as a substitute for the metal check, presents even more serious difficulty. To quote from the "Manual on Systems of Check,"* "Unless the most extreme precautions were taken there would be a greater liability to forgery than under the metal check system, the card and ordinary printing being much easier to get and use than the die and metal required for the other,† and the risk of detection and proof would be much lighter. . . . . The difficulty of making metal tokens any check on the money takings arises from their being used as, in some sense, a circulating medium." The same arguments apply not only to metal checks but also to the use of numbered tickets for cwt. bags of coal, or in the distribution of milk. Tickets or checks are obtained from members and reissued, the face value being appropriated in cash; and the goods to represent them may be provided by the lightening of coal bags, or the watering of milk, during transit from the depôt.

The Paper Check.

On the above grounds, the metal check has gradually, over a long term of years, been abandoned for loose duplicate paper checks, which are now in general use, though it would

* Published by the Co-operative Union.

† This was an extensive fraud in Yorkshire prior to 1882, when a person imposed upon several societies by coining counterfeit checks to a considerable amount.

be interesting to know how many societies still retain the former. These paper systems have also been officially approved as superior to the metal token by a special check committee appointed by the Co-operative Congress in 1891. The chief of the loose paper check systems are the "Eccles" and the "Climax," and each has its enthusiastic following. These systems identify the check by a registered carbon duplicate, and thus avoid errors in entry in the counter book, such as occur in book systems; yet, as there is no check by comparison between the members' purchases as per loose slip, except (in the "Eccles" system) in the case of members' checks returned upon gummed sheets, or (in the "Climax") where the members themselves add up their checks and compare with the dividend warrant, frauds in the manipulation of carbon have occurred *which are not brought home to the perpetrator.* Other general objections have been raised on the ground that loose checks do not enlist the full and authoritative co-operation of the member in the checks, as is obtained by a book; also that trafficking in checks in the former, and errors in registering or posting in the latter, occur, which are not readily discovered. The "Ideal" system,* of comparative recent introduction, brings into requisition a card instead of a loose check, on which is entered the member's share number. When a purchase is made it is produced to the shopman, who places it under a carbonised counter-sheet, and thus duplicates the entry of the purchase. When the card is filled, it is added by the shopman, its total transferred to a new card, and the old card sent to the office. Dividend is only paid upon the cards on their final total at the end of the quarter, if produced. The card has the advantage over a loose check in that it gives the member, to a point, a coherent account of his purchases; but unless all the cards are brought in at the end of the quarter (as in the "Eccles"), *or* that every item on the sales sheet is posted up in the office (as in the "Climax"), a proper test of checks and cash cannot be

* See page 376.

obtained, and any difference in comparison allocated. As there is no method of dealing with members who have forgotten their cards, shopmen have been found to hold floating balances for cash sales unrecorded, rendering the test for shorts and overs of little account. All these systems are only applicable in their nature to cash received, and do not adapt themselves to credit trading, which should be properly recorded if it is permitted at all.*

Mechanical Attachments.

In discussing the merits of all mechanical means of protecting the cash and its record in the shop, the secretary will keep in mind the fact that the best voucher for the accuracy of any transaction is in the hands of the other party whose interest is directly opposed. For instance, the shopman will take care that he is not debited with, nor have to account for, more than he receives; whereas the interest of the member is to see that he is not credited with less than the amount he actually pays. In a private trading establishment the customer's interest ceases when he has paid the cash and received the goods, and he is not concerned with what the shopman does with the money. Consequently, experts in the methods of guaranteeing the proper accounting of cash received for sales have had to lay emphasis upon the receiving side of the transaction. A considerable amount of uncalled-for indignation has been engendered by superficial-minded persons about check systems being a reflection upon the honesty of the shopman. It is safe to say that the average shopman is a very faithful and diligent servant. This is no excuse, however, to shift upon the shoulders of employés who handle the assets from which the income is derived the responsibility of the trusteeship which the committee or directors hold on behalf of the members, whose interest it is their duty to protect. The Act (section 48) stipulates that every servant or officer shall, when required, render an account of all goods or cash which pass through

* See page 389.

his hands, and it is the duty of the society to see that the methods adopted give ample and reasonable opportunity of verifying these records by independent evidence. In the manipulation of sales this independent evidence is difficult to obtain, and in private trading practically impossible. Even if receipted bills are given for cash sales, there is no particular interest to a customer to insist upon his receipt, or to produce the receipt to compare with the duplicate record, and consequently the ingenious and clever mechanical devices upon the market are intended to extract from the customer the largest possible amount of co-operation in the actual record of the transaction, and to prevent the shopman from touching the same after the customer has departed. These methods may be classed under two heads—the record protection machines* and the cash carrying or cash centralisation schemes.† Their strength lies in the fact that it systematises the shopman's record, and their weakness in the difficulty of getting the customer to co-operate in the protection of the employer's interest at all. In the record protecting machines the customer is asked to note that the right amount appears upon the indicator of the machine, or that the receipt or ticket given to him corresponds to his purchase, but the objection to loose checks already stated applies particularly here. The cash till is closed to the shopman during the time that no purchase is made, but may be opened at any time by the registry of a purchase of an insignificant amount. Printed figures are not of the same value as written records, which, being autograph entries, attested by date and initials, add the authority, responsibility, and *conscience* to the transaction of the person who made them. The other line of argument in connection with private trade is that the shopman should be entirely deprived of his cash till, all cash being dealt with by a central cashier. In this case a receipt must be given, a bill being made out in duplicate by the shopman, and either the customer must pay his bill himself at the cash desk, taking the bill and

* See pages 480 and 496. † See pages 544 and 560.

counterfoil with him, the bill stamped with acknowledgment of receipt being returned, and the duplicate retained by the cashier ; or the shopman takes the bill and duplicate to the cash desk himself, the same procedure being followed. So many disputes and frauds arise with regard to the amount tendered, when it is thus transmitted to central cashiers, that its amount is entered in a space provided at the foot of the bill, and even in some cases pencil-rubbed through the bill to prevent mistakes. It is also claimed that the use of a central cashier minimises shorts and overs ; but the larger amount of cash dealt with, the greater is the possibility that the net shorts have been reduced by the overs during the day, and cannot be taken as bearing a more favourable comparison to the results than when each shopman's sales are decentralised and the overs and shorts of each are greater in detail, but on deduction by summary do not show a more unfavourable general result. On the other hand, the work of the central cashier is centralised upon the one duty of handling cash, and the shopman's responsibilities are relieved to that extent, thus giving him more opportunity of concentrating his mind upon the duties of serving and the despatch of customers. To prevent the loss of time which results from the shopman having to deliver the bill and the cash at the cash desk, or, in the other method given above, from giving the customer the opportunity of leaving the shop unnoticed without paying, cash carrying schemes have been largely introduced into private trading establishments. Whether by means of the wire or catapult system, the cash railway, or pneumatic tube, the cash and the duplicate bill are placed into a receptacle and transmitted to the cashier, and the time lost prior to its return is spent in making up and parcelling the goods for delivery to the customer. In all these cases a receipt is given to the purchaser, or the check loses its value. The undoubted value of both these systems of check is minimised by the advantages which are given by the co-operative system of giving dividend, or deferred discount, upon purchases to members, in the fact

that a contingent interest is given in the purchase beyond the transaction itself, and as there is the additional responsibility of correct payment of dividend, the check will then require emphasis to be laid upon the manner in which the co-operation thus obtained from the customer is made the most complete and the control most effective. Whether the registering till or the cash carrying scheme is used, they must be adapted to the "Eccles," "Climax," or book system; and the discussion of these systems in the subsequent chapter will show the necessity of the proper and faithful registration of these records in the home of the customer. In the record protecting machine, every check must be kept or the dividend account is incomplete; the member's number must be added or there is no identification of the purchase; they must be eventually produced at the office or there is no check upon the dividend account at all. In the cash carrying schemes the counter book is entered by the shopman, and the check is transmitted with the cash and returned to the member with the change, a second entry being made by the central cashier. In the book system the entry will be made by the shopman in the book, which is sent to the cash desk, where the entry upon the sales sheet is made.* In all these schemes it is important that the receipts of each cashier should be separately recorded, so that a complete knowledge may be obtained by the office of each shopman's work and attention. The point is in the question whether the records are accurately made, according to which records the shopman or central cashier has to render daily account † and that if errors are made, either by accident or design, they will be revealed within a reasonable time, while the particular circumstances surrounding the error are fresh in the memory and cannot be concealed. That the conscience of the recorder is attached to the record by written figures and initials, and that the office are able to obtain

* See page 374. In the Fielding-Wood System the check only is sent to the cash desk, and placed in the box on its return (see page 512).

† See page 436.

independent evidence of the records as a check upon both the shopman and the central cashier.

The Book *versus* The Loose Check.

Consideration of these points has been for some time agitating the minds of those seeking after a complete check system, and no one can safely prophesy whether the growth of delivery trade, and the cognisance of the fact that the proper method to reduce credit is not by ignoring its existence but by providing a proper record in the office to expose the current balances, will not cause the co-operative movement to return to books in their schemes for obtaining a check upon cash received for sales. Thus a tight hand can be kept upon the limit allowed, if not by a gradual and reasonable reduction of the limit to abolish it altogether. The only real objections to a book are that it has to be produced at the end of a quarter, that it may get lost or dirty, that the member may forget to bring it to the shop, or that innumerable errors may occur in the posting to ledgers. Nevertheless, we contend that many of these difficulties assist the check rather than destroy it, because the bringing of a book at the end of a quarter compels a comparison with the ledger, which in the "Climax" system is usually disregarded, the option being thrown upon the member; and if books get dirty, it is a difficulty which is met to a greater extent in the case of share pass books and sales deposit books, which are not so quickly completed, whereas a purchase book, being all the more speedily used, will render its chance of becoming soiled the more remote. The fact that a counter-sheet is kept in the shop allows of the entry of cash received being made under its proper date, even if the book is forgotten at the moment, and entered afterwards, thus minimising the opportunity of floating balances, though the better plan is not to receive cash without the book being produced. Loose checks are the better adapted for "catchpenny trade," but as the bulk of the sales arise from a member's regular custom, this amount is

of as insignificant a value as non-members' trade. The member may more quickly be induced to bring her book with her purse than to give her correct share number, or to place a check upon a gummed sheet; whereas the onerous work in the posting of ledgers may be recognised as a result of the particular nature of co-operative trade. We will, therefore, confine ourselves in our particular explanations of the accounting in check systems to the "Eccles," "Climax," and the book system in its various forms.

The Secretary and the Check System.

Whatever the system adopted by the society for which he is employed as one of the chief officers, the secretary should recognise the importance of the record of the chief source of income, and be prepared to carry the method of check through in a systematic and thorough manner, remembering that its elaborateness is not so much in the manner of the system as in the nature of the income which it is his duty to record. The chapters allotted to the check office should be examined by him with the object of seeing underneath the records, and not, by a superficial grasp, to lose the control which the office should exercise over the sales

APPENDIX TO CHAPTER XX.

THE REQUIREMENTS OF A PERFECT SYSTEM OF CHECK.

(*a*) To prove that all cash takings have been accounted for.

(*b*) To ascertain a member's individual purchases and his claim for dividend, and prove the accuracy of the same.

(*c*) To reduce to a minimum its interference with the proper attention to, and the quick serving and despatch of, customers.

(*d*) To be adaptable in working to societies where credit is given.

(*e*) To be equally effective and convenient when the cash is paid on delivery instead of in the shop.

(*f*) To gain the customer's co-operation without imposing upon him duties which may be objectionable to him and thus alienate his custom.

(*g*) To unconsciously gain the co-operation of the non-member, however casual or indifferent, in the check upon the cash takings.

(*h*) To be sufficiently inexpensive, so as not to prevent its adoption.

(*i*) To minimise the shopman's opportunities of manipulating his shorts or overs.

(*j*) To make attempts at fraud certain to be found out during the balancing period.

(*k*) To allocate the dividend upon the actual purchases made during the balancing period.

CHAPTER XXI.

The Check Office—Ready-money Trading.

What is Ready-money?

When co-operative ideals were first translated into practice, it was a great feature of co-operative trade that sales were conducted upon a strictly cash basis, that is to say, the handing over of the payment by the members was simultaneous with the release of the goods by the society. This rendered the personal relation of no account (except for purposes of dividend), each sale being a double transaction,* and both the subject of the main contract and the consideration were executed and not executory.† Ready-money trading was considered so necessary to the welfare both of the members and the society that it was made binding upon the members and the society *by rule*, and in most cases these rules still obtain even though they are continually and inconsistently broken. There are not inadequate reasons for credit-trading, however undesirable the practice may be. The general custom of trade has been to give reasonable credit, and in competition with private traders co-operators have deemed it necessary, rightly or wrongly, to emulate their methods in retaining the customer's goodwill. The lien on share capital given by section 23 of the Act for the value of goods bought on credit has served as a brilliant excuse to committees to justify this manner of trading to those who were zealous to carry out the co-operative principles in their entirety even at the expense of rapid progress. The growth of delivery trade combined with a difficulty of sending and checking cash received by vanmen, has encouraged credit by the mere

* See "Co-operative Book-keeping," page 42. † See page 151.

fact that vanmen have been for these reasons prevented from being the channel for the receipt of cash in payment for goods. The growth of the movement so as to permit societies to retail in large quantities has encouraged many well-to-do people, as well as hospitals, corporations, and other corporate bodies, to purchase from societies, and the position or nature of the purchasers cause them to refuse to pay cash in simultaneous exchange for goods, but to pay the bills by cheque at convenient intervals. In spite of all these difficulties it should be suggested that the rules stipulating that the trade should be conducted upon a ready-money basis are made to be kept and not to be broken; if credit, therefore, is given, the rules should be straightforward in providing for the same, particularly describing the extent and manner in which it is to be permitted, and the limit definitely fixed. Laxity in carrying out the rules is the cause of most of the difficulties, disappointments, and failures which occur in co-operative methods, and has a baneful influence upon service. An employer cannot expect implicit obedience, or command careful service or respect, if he does not himself recognise his duty and responsibility as such employer by strictly following the rules, and giving instructions which are not only definite but consistent therewith. Many an employé is allowed discretion which is not only irritating to him, but places him in a false position, and if he commits an error in judgment, it is hardly just or equitable that those who gave him such harmful discretion should be his mentors. Many cases might be quoted where credit-trading is not allowed by rule, yet the shopman allows credit upon his own responsibility, is charged with bad debts, whether in their value or in the onus attached to them (which to a sensitive mind is the greater punishment); nevertheless the shop accounts owing arising out of the credit-trading are recognised as assets by the society in the balance sheet, and rightly so, if the statement is intended to record the society's true position. The work-

ing man as a rule has no capital beyond what is credited to him in his share account, and if credit is given and his interest in the society is merely nominal, his running balance is practically an unregistered bill of sale upon his furniture. Where the records of accounts owing are kept in the shop, it is impossible to watch withdrawals on share account so as to prevent credit being allowed beyond the amount of share capital which the purchaser holds, nor is there an adequate method of verifying the list of debts which the shopman produces at the balancing date, whether in amount, age, or quality. The co-operative movement strives to place all its advantages in the lap of each individual member, and yet by the giving of credit allows the movement to boast of big figures and big dividends at the expense of his own thrifty and frugal domestic management. In successive chapters, therefore, we will discuss the two methods of co-operative trade as applied to the office records, and, as credit must be condemned in principle, we will give the practice of ready-money trading the prior claim upon our consideration.

The "Eccles" System.

In the "Eccles" System, each shopman who is appointed to receive cash is supplied with a counter book* in which the pages are in duplicate, each top sheet being perforated into series of slips or checks. Each check and its counterpart are progressively numbered throughout the book, and bear also a number denoting the counter book for which they are issued. These counter books are also made in different tints of paper so as to distinguish the checks of one quarter from those of another. The member receives a loose check on which is entered over carbon the amount of the cash paid, upon which dividend may be claimed. He must not leave the check in the shop, as it may be appropriated by another person, nor must he lose it or omit to place it upon a gummed sheet, supplied by the society, as in all these cases

* See page 378.

he will lose the dividend value of the check. A similar check is given to a non-member, who, as a rule, may receive a separate non-member's rate of dividend, if placed upon a gummed sheet, and a claim made. When cash is handed over, the check book should also be presented in exchange for another, the former proceeding to the check office for purposes referred to below, and not produced again to the shopman.* This exchange, however, being done weekly as a rule, only allows of the net shorts and overs for the week being ascertained rather than their amount each day,† and reduces the value of the investigation to expose the errors which have caused them. The best method would be for the duplicate pages to be torn at the binding perforation, and totalled by the shopman. Where there are unused checks upon a page thus produced, they should be gummed down upon their counterpart. Many societies make it a rule that the shopman must not make the additions, so as to prevent his minimising the shorts and overs by means of a suspense account to which all the countermen in the shop may have secret access, but it may be suggested that as he has the records continually before him, there is nothing to prevent his noting their amount. Every counterman and every vanman or carter who receives cash‡ will have a separate counter book and cash till or bag, and the sheets will be handed to the check office, where they will be filed on a "Shannon" file allotted to each shopman. When a gummed sheet is full it is produced by the member or non-member *to the check office*§ where the addition will be made and checked and a transfer check through carbon issued, from a special book provided for the purpose, and affixed to the top of a new gummed sheet, the same being handed to the member. A gummed sheet is also exposed in the shop for the affixing of checks left in the shop by the purchaser, and the omission to issue a check for a purchase, or the finding of checks in

* If produced to the shopman it gives him the opportunity to alter back original checks to agree with the manipulated duplicate.

† See page 436. ‡ See, however, page 366. § *Ibid.*

LOOSE-LEAF LEDGER CLOSED.

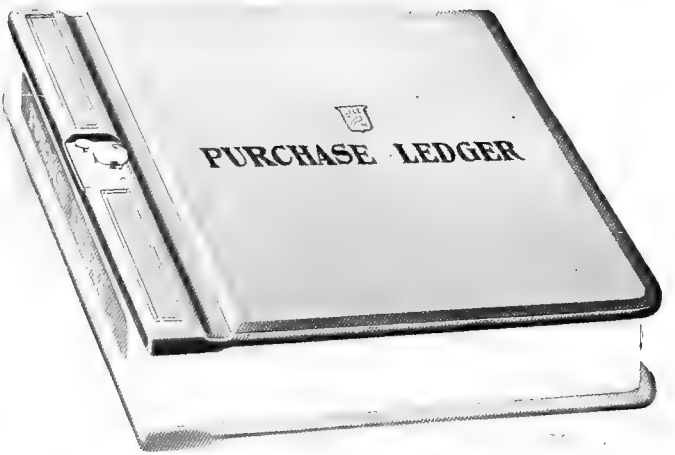

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PLATE XXIV

[See page 58

the shop drawers is generally followed by the instant dismissal of the guilty person. A slight modification of the gummed sheet is sometimes used, a strip being substituted for the sheet, on which the checks are gummed at the edges, so that the backs of the checks can be scrutinised if an error between the original check and its counterpart is discovered by the check office. It will be seen that the checks or the gummed sheets can now be examined in detail with the counterpart upon which the test of shorts or overs was made to detect errors made by manipulation of carbon, and makes a fraud which the shopman may be tempted to commit open to a great risk of detection. The check office will record the totals of the check sheets produced each day into the shopman's check ledger* opposite each item being entered the cash produced as per particulars given by the cash office,† and the shorts or overs noted. A separate opening is kept for the account of each shop, which is balanced weekly and transferred to a weekly summary, the same being submitted to each ordinary meeting of the committee.‡ At the end of the balancing period a check day is appointed at which time the final gummed sheets are handed in by the members,§ and the final totals made and checked by the check office. The member produces his pass book at the same time to a clerk from the share office assisting in the work. The check clerks will make a list of the totals made, noting the share number opposite each amount, and the entries are transferred by the share office to the share summary in the column provided,|| the columns of the dividend list and the share summary being found to agree. Many societies who use this system pay the dividend on even tens of shillings only, and carry the balance forward to the new quarter by means of a transfer check, the totals of these being ascertained, for provision for dividend must also be

* See page 383. † See page 435.

‡ See page 384. It is incorrect to accumulate shorts and overs against a shopman for a period, as overs are not a credit against shorts, and a shopman therefore should be judged upon his daily results and not accumulated results. § A dividend warrant is given in exchange (see page 386). || See page 123.

made for these out of the balance disposable.* Checks not produced upon the check day are lost entirely to the member, as their distinctive colour prevents them being allowed in the claim upon a succeeding check sheet. The check office will keep a careful register of the books issued or the pages returned therefrom. When the books are returned by the office at the balancing date the unused pages will be examined to see that checks were not issued from pages which were not included in the addition for comparison with the cash handed over, and the same procedure will be followed on the examination of the pages which are handed daily with the cash by the shopman; nor will the check clerks omit to note any blank space in such pages which might represent a check the amount of which has not been accounted for. There is no check upon fraud in checks which have not been produced by the member or non-member upon the check sheet. The check office will particularly scrutinise the check sheets produced by the shopman on which have been placed the checks left in the shop by the purchaser. The great difficulty in this system is the test of the checks produced for dividend with the checks issued. There is a large gap for checks not produced which represents checks lost or not produced either by members or non-members, and errors in tens of pounds or tens of shillings to the advantage of the member may be made unnoticed, which fall into the balance of checks unproduced. To reduce this balance many societies purchase checks *in advance* from members or non-members at reduced rates, but it is doubtful whether this practice is legal,† and, further, it has been decided by the Court that the giving of a check is no contract on which the payment of dividend can be enforced by *any* person holding the same. A test of the checks as per the counter books with the checks issued should always be made at the end of the balancing period, as follows, the difference representing checks unproduced, which have not been checked with the duplicates:—

* See page 566. † See page 565.

COMPARISON OF CHECKS.

Checks produced for Dividend :		Checks, as per Counter Books :	
Members		Balances, as per Transfer Check Book last balancing date.....	
Non-Members			
Checks Bought			
Checks, as per Shop Check Sheets			
Balances, as per Transfer Check Book			
Difference.....			

TEST OF CHECKS WITH CASH. (See page 384.)

Cash handed over		Checks, as per Counter Books :	
Contras		Over	
Short			

The "Climax" System.

The "Climax" system may be described as an elaboration of the "Eccles" system, with two important amendations, one of which is an undoubted improvement, and the other a great disadvantage. In working this system, on the one hand the purchase is identified, but on the other checks are left to the member to verify with the office account, a duty which is usually ignored. The check office will post from the pages of the counter book* into a member's check ledger,† in which are rows of single cash columns arranged in order of share number, usually five upon a page. At the end of the quarter the totals are made and tabulated for the entry into the share summary.‡ From these totals dividend warrants are prepared§ and exchanged for the pass books. The warrants should be in duplicate so that a copy is kept by the office, and as the share numbers of the members who purchase from a particular shop do not progressively allot themselves to the shops, there is the drawback in distribution. The giving of the share number is a difficulty

* See page 379. † See page 385. ‡ See page 123. § See page 386.

which is only overcome by the excellence of the memory of the shopman, and even then the posting or distribution may be made to the wrong member in error, and the inaccuracy fail to be discovered. Errors of many kinds may occur through founding the records upon the memory of the member or the shopman and lead to discrepancies of accident or design. There is nothing to prevent a member from purchasing with the number of a friend, or for the shopman to enter his own number upon a check left in the shop, or upon a check entered in favour of a non-member; and a member must not only see that his number is correctly given to the shopman, but not lose his checks to verify the correctness of his account. Checks for non-members' purchases, as on the "Eccles" system, are issued from the same counter book, but a distinctive mark is entered thereon to indicate to the check office that they are to be posted to the non-members' ledger account. There is an advantage here in the fact that the purchase of members' or non-members' checks is unnecessary so far as the test of counter books with the ledger is concerned, but, as there is then no interest in the check if it be left in the shop or destroyed or lost by the member, the shopman, by a manipulation through carbon on a subsequent purchase for the same member, may, to make up the difference, appropriate its amount, as the checks will not be examined with their duplicates, unless the member takes the trouble to add up his checks to test his dividend warrant, *and* there is a material difference that urges him to take them to the office for comparison in detail with the ledgers. The same method as in the "Eccles" system is carried out as to the comparison of checks and cash for the daily and weekly account of shorts and overs. The tedious labour of turning over of ledgers for the posting of each item is materially lessened by the fact that the second sheet, which is added up for the comparison with cash, is perforated in the same manner as the original,* so

* In some societies the second check is the one issued to the member, but this does not in itself prevent the manipulation of the counter sheet.

that it can be torn, arranged in order of share number, and distributed to trays in which partitions are allotted to the share numbers. The moment that the checks are thus distributed there is no looking back for identification of the daily sales of each shop, unless a third page in the counter book is used, in which case there is no proof that amounts recorded on the checks distributed to the partitions correspond with the sheets added up for comparison with the cash. The checks are allowed to accumulate in the partitions to the end of the month, and their amounts are entered into the members' check ledger either in detail or in total, which has either been made mentally or by the use of an adding machine.* At the end of the balancing period only, when all the circumstances of the purchases are forgotten, can errors in giving, entering, distributing, or posting share numbers be discovered, *and then only if the member adds up his checks to compare with the dividend warrant.* As there are two sets of loose checks, one in the hands of the members and the other in the office, a check or checks lost in the office will only be discovered if the member has retained the original and also checked his dividend warrant, presuming that no counter-balancing errors have occurred; and consequently no examination will reveal it even if the posting to the ledgers are checked to discover a discrepancy in the test of the ledger totals with those of the counter books. Nevertheless a test should be made of the totals of the check ledger with the totals of the counter books, as follows :—

COMPARISON OF CHECKS.

Checks, as per Ledger :	Checks, as per Counter Books .....
Members	
Non-Members	
Difference	

* See page 592.

TEST OF CHECKS WITH CASH.

Cash handed over		Checks, as per Counter Books	
Contras.....			
Shorts		Overs	

The Book System.

The value of the trading pass book system, as already stated,* lies in the fact that only by means of a book can the co-operation of the member in the check upon cash received be guaranteed. It is cared for and treasured like the share pass book, or the bank pass book. Its production at each purchase keeps it constantly in evidence. It gives not merely a single transaction, which in the loose check is divorced from those antecedent to it, but the coherent and co-relative record of the whole series of transactions in one compact form in datal order. It shows *to the member* at a glance the dividend value of the book—an incentive to increased and exclusive trade; also a means of reference and identification to his individual purchases which cannot be guaranteed if the record is on a loose slip or ticket. The book bears the share number of the member, which is entered into the counter book opposite the entry of the purchase, the folio of the counter book† being given in the member's book. From the pages of the counter book, which are in duplicate (the perforated sheet being sent to the check office), the items are posted to the members' check ledger.‡ Purchases by non-members are usually dealt with by societies, either by insisting upon all purchases coming through a member's book (a member in the shop producing her book for the purpose), or through the purchase book of the shop manager or assistant other than the one who served the customer, or by entering the item in the counter book only, with the initials N. M. opposite the item, to guide the check clerk in the posting; or by the issue of distinctively marked non-members' books. At the end of the quarter the books

* See page 362. † See page 354. ‡ See page 385.

are brought in, totalled by the member, and checked at the check office, where they are compared with the ledger, a necessary but onerous duty, as it is in this work that the real check occurs. The totals of the ledger accounts are now ascertained and prepared in the same manner as in the "Eccles" and "Climax" systems, a dividend warrant being given as a receipt for the book, and also a new book of a distinctive colour for use in the ensuing quarter or half year. This warrant again acts as a receipt for dividend when the same is paid, as explained in a previous chapter.* It will be seen that the book system, though in the usual form onerous in working, reveals errors of design, as well as accidental blunders, the former of which are not usually committed when there is a risk of eventual detection, and the latter requiring exposure for the purpose of rectification. A test of the ledger totals with the counter book totals will be made in the same way as a ledger is ordinarily proved, and if there is a discrepancy it can only be discovered by the checking of the additions of the postings. There is always the difficulty of getting in all the members' books, and it is now generally conceded that the check by comparison of the book with the ledger is so important that unless the book is brought in by a member his dividend should be forfeited. A method of minimising errors in the posting of amounts may be adopted by the shopman making a total to date by the side of the entry of each purchase, making a similar entry on the counter sheet. This is a guide also to the posting to a wrong account, as the current total in the ledger would not then coincide with the entry upon the counter sheet. Nevertheless it does not expose the real purchaser if the shopman has entered the wrong share number, nor does it prevent the shopman from entering an incorrect total upon the counter sheet, which consistently differs from the total in the book by the amount of the difference between the member's book and his counter sheet on the entry of the purchase by which he reduced the amount of

* See page 125.

cash he had to account for; and this may be taken advantage of without fear of detection in those cases where a drastic method of insisting upon all books being brought in at the end of the balancing period is not followed. It will be seen, however, that the disadvantages of the book system lean in the direction of the closing up all avenues of fraud, rather than in reducing the clerical labour, and may be cited without fear of contradiction as being the least liable to cases of *unrevealed error* to which other systems are open, unless the ledgers are kept by the shopman instead of the office, a course which cannot be too strongly stigmatised. In cases where, by custom or special arrangement, the contract of sale requires that the goods be delivered at the house of the member, instead of the shop,* ready-money trading requires cash on delivery, and the vanman or carter will be supplied with a counter book in a similar form to the one allotted to the shopman.

The "Fielding-Wood" System.

Of late years the reasoned opinion of those who have had experience in the business side of co-operation has been leaning towards the adoption of the purchase book as the solution of the difficulties in obtaining a complete check upon cash received, and consequently we find that the latest methods emphasise this idea. Thus the "Ideal"† system substitutes cards for loose checks, and later the "Fielding-Wood" system reintroduces the book, in which the loose check is transferred from the member to the shopman, as if it were a cheque drawn upon a bank for its value in dividend. The shopman enters upon the check over carbon the amount of the purchase, the date, and his initials, places the check upon which the book number and the number of the check in the book is printed, and puts it into a locked box on the counter in the sight of the member, the latter retaining the book in which the carbon copy of the entry is recorded. There are ten checks on a

* See page 165. † See page 357.

page and the first and last check contains a space for the page addition and the amount brought forward, which the check office can verify with the originals. These, after addition for comparison with cash, are distributed to ordinary check trays, according to the book numbers, which (having nothing to do with share numbers) can be allotted progressively to the customers of each shop. Thus the members' check ledger is done away with, as the checks clipped together represent the original records from the member's book, with the printed numbers thereon, and the continued additions corresponding to those in the purchase book. The inventors claim that the objections referred to in our discussion of check systems are by this simple method obviated, and it might be well to refrain from duplicating work by referring the student to the detailed explanation of the system in a pamphlet which has been recently published.* Although the system is already in operation with some degree of success, time and experience only can tell whether its claims can be disregarded. We will therefore leave the student to judge for himself, after examining the known difficulties in check systems, how far this system retains the advantages of the book system, upon whose merits we have laid some emphasis; and, on the other hand, how far it clears away the practical disadvantages of the use of a book, on account of which many have reluctantly adopted the method of issuing loose checks, cognisant at the same time of the many opportunities for unrevealed fraud which the loose check systems leave open.

* "The Fielding-Wood Check System: Its Working Explained," by the same author. Published by the Co-operative Printing Society (see pages 512 and 528).

APPENDIX TO CHAPTER XXI.

ECCLES COUNTER CHECK BOOK.

36	7550				36	7525			
36	7549				36	7524			
36	7548				36	7523			
36	7547				36	7522			
36	7546				36	7521			
36	7545				36	7520			
36	7544				36	7519			
36	7543				36	7518			
36	7542				36	7517			
36	7541				36	7516			
36	7540				36	7515			
36	7539				36	7514			
36	7538				36	7513			
36	7537				36	7512			
36	7536				36	7511			
36	7535				36	7510			
36	7534				36	7509			
36	7533				36	7508			
36	7532				36	7507			
36	7531				36	7506			
36	7530				36	7505			
36	7529				36	7504			
36	7528				36	7503			
36	7527				36	7502			
36	7526				36	7501			

CLIMAX COUNTER CHECK BOOK.

982 *	981
984	983
986	985
988	987
990	989
992	991
994	993
996	995
998	997
1000	999

* Space for share number.

MEMBER'S PURCHASE BOOK—READY-MONEY SYSTEM.

FIELDING-WOOD CHECK SYSTEM.

Member's Name. .....

	Book No.	Prog. No.	Department.	Purchases.	Initials.
1st Check.	*Brought forward.*				
	A **23**	1			
2nd Check.	A **23**	2			
3rd Check.	A **23**	3			
4th Check.	A **23**	4			
5th Check.	A **23**	5			
6th Check.	A **23**	6			
7th Check.	A **23**	7			
8th Check.	A **23**	8			
9th Check.	A **23**	9			
10th Check.	A **23**	10			
	Carried forward.				

THE BOOK IS BOUND HERE.

REDUCED FAC-SIMILE.

NON-MEMBER'S PURCHASE BOOK.

FIELDING-WOOD CHECK SYSTEM.

NON-MEMBER'S PURCHASE BOOK.

Quarter .....

	Indication	Prog. No.	Dept.	Purchases.	Shopman.	Voucher Ticket.
1st Check.	*Brot. fwd.*					
	N.M.	1				N.M. 1
2nd Check.	N.M.	2				N.M. 2
3rd Check.	N.M.	3				N.M. 3
4th Check.	N.M.	4				N.M. 4
5th Check.	N.M.	5				N.M. 5
6th Check.	N.M.	6				N.M. 6
7th Check.	N.M.	7				N.M. 7
8th Check.	N.M.	8				N.M. 8
9th Check.	N.M.	9				N.M. 9
10th Check.	N.M.	10				N.M. 10
	Forwd.					

THE BOOK IS BOUND HERE.

REDUCED FAC-SIMILE.

SHOP MANAGER'S VOUCHER BOOK.

FIELDING-WOOD CHECK SYSTEM.

Date ....

.....*Shop Manager.*

	Description.	Department.	Cash handed over.			Shopman.	Manager.
1st Check.	Manager.						
2nd Check.	1st Asst.						
3rd Check.	2nd Asst.						
4th Check.	3rd Asst.						
5th Check.	4th Asst.						
6th Check.	5th Asst.						
7th Check.	Share Contributions.						
8th Check.	Penny Bank Contributions.						
9th Check.	Club Contributions.						
10th Check.	Date. Daily Total					Department. Receiver's Signature :	

THE BOOK IS BOUND HERE.

REDUCED FAC-SIMILE.

SHOPMENS' CHECK LEDGER.

Department..... *Quarter ended*.....

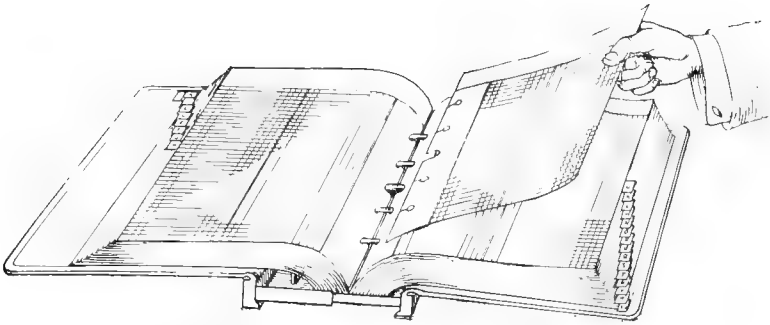
Shopman.		Shorts.	Contras.	Cash.	Total.	Checks.	Overs.
	M						
	Tu						
	W						
	Th						
	F						
	S						
Week ended.....	.....						
	M						
	Tu						
	W						
	Th						
	F						
	S						
Week ended.....	.....						

WEEKLY STATEMENT OF CHECKS AND CASH.

Week ended..... ....19.....

Department.	Name.	Shorts.	Contras.	Cash.	Total.	Checks.	Overs.

LOOSE-LEAF LEDGER—OPEN.



Showing the manner of inserting and releasing leaves.

Locked and ready for use

Kindly lent by Messrs. Kelson and Co., Manchester.

PLATE XXV

To face page 884

MEMBERS' CHECK LEDGER (CLIMAX SYSTEM).

516				517				518				519				520			
	£	s.	d.		£	s.	d.		£	s.	d.		£	s.	d.		£	s.	d.
Jan. 11 ..		1	9	Feb. 8 ..			10½	Feb. 15 ..			3½	Mar. 14 ..		2	5				
		5	1			6	10	22 ..		1	0				8				
18 ..		3	1	15 ..		7	10			3	2				5				
25 ..		4	1				4½			2	5½				9½				
		1	10	22 ..			4	29 ..			9			2	5½				
Feb. 1 ..		3	0½			9	6			5	1½				5				
8 ..			9				10	Mar. 7 ..		3	2			2	1				
		4	6½	29 ..			4			4	9½								
		2	8½			3	2	14 ..			11								
15 ..		3	6			2	9½			3	5½								
22 ..		4	1½	Mar. 7 ..		9	9½			3	9			9	3				
		2	4½				5												
29 ..		3	1			3	6												
			1½			1	11												
			2	14 ..			6		1	8	10½								
Mar. 7 ..			8				4												
		4	4			8	2												
			5½				4												
			5																
14 ..			10																
		6	1½																
					2	17	10												
	2	13	1½																

THIS WARRANT IS IN DUPLICATE.

THE PLAYFAIR CO-OPERATIVE SOCIETY LIMITED.

DIVIDEND WARRANT, No. 2,346.

Share Number.	*Share Capital.*	*Purchases.*
.....	£ : :	£ : :

Members must produce this Warrant when applying for their Share Pass Books.

	£	s.	d.
Interest and Dividend due			
Less Reserved for Share Capital*			
Less Reserved for Sales Account†			
Net Amount Payable			

Checked by..... Paid by.....

Signature of Member : 1d. Stamp, if £2 or over.‡

.....

On the back of this Warrant should be printed the days when Dividend is to be paid.

* See page 70. † See page 567. ‡ See page 444.

CHAPTER XXII.

The Check Office—Credit Trading.

What is Credit?

The term "credit" carries a particular significance when applied to the sale of goods. It refers to the practice of delivering* goods to customers on their promise to pay for them at some future time; that is to say, it is a contract, of which the main subject is executed, and the consideration executory.† Credit trading may arise out of two separate and distinct conditions—the inability of the purchaser to tender the payment because he has still to earn and receive the amount it represents, or the circumstances surrounding the transaction itself may make it inconvenient to hand over the money simultaneously with the transfer of the goods. The anxiety of the manager to increase the returns has often caused him to imitate the various methods of credit giving adopted by private traders, without censure or reproach from the committee; and as the members are interested parties, their opposition is feeble, if it exists at all. Nor can remonstrance be expected from committees in cases where they, too, have taken advantage of the credit-giving, which from their position they may become tempted to take to an excessive amount. He is a bold secretary or shopman who will protest openly to one who is in many senses his employer, or produce a special list of debts owing by the committee-men to the criticism of the members' meeting; and consequently it is commendable that one of the necessary qualifications of the holder of such a public position should be the freedom from reproach as far as receiving credit is concerned, even as he is debarred from personal interest (other than as a shareholder in the contracting company or

* See page 164. † See page 151.

society)* in a contract made with the society upon whose board he sits. Issue will be readily joined by co-operators generally with managers or other servants who consider it intrinsically necessary to the elasticity of co-operative trade that goods should be allowed to members in advance of their ability to pay, and it will be universally agreed that the practice has arisen out of a false step at the beginning, which, having been once made, cannot easily be retraced. Thus members have fallen a week or longer period behind in their settlements, and the lax and capricious method of giving credit without any fixed limit, depending entirely upon the discretion of the shop manager, of which discretion he would gladly be relieved, encourages such members to continue what is in effect a mortgage upon the future for the payment of present liabilities. These debts are considered "good" so long as the members' custom is retained; but when it ceases, they prove to be of such a doubtful character as to require to be written off. Though the society has a lien on share capital, the nature of the capital itself, in the allowing of easy withdrawal, is then of little value, for in all probability the interest of the defaulting member is found to be merely nominal. It may be argued that the co-operative ideals should be of more value than accelerated commercial success, and that true growth is not necessarily measured in big figures; yet, as we have already hinted, not only the nature of the trade itself, but also the generally accepted manner of the record, may encourage largely the growth of credit. With productive societies ready-money trading is impracticable.† Sales deposits, in anticipation of a large outlay on certain classes of goods covering a longer period of consumption or wear, are restricted by the Act.‡ The various check systems in use, with few exceptions, do not provide for an adequate check upon cash paid on delivery by van or lorry.§ Credit trading has therefore crept into the movement to such an extent as to render it

* See page 23. † See page 326. ‡ See page 138.
§ See page 362.

impossible to employ drastic means for its extinction, in spite of agitation and pious resolutions of conference and Congress. The remedy, therefore, is to arrange the records in such a manner as to place a strong and ever-tightening hand upon the facilities afforded to members to trade upon the society's capital,* the loss of interest on which falls upon all the members alike, the thriftless and the thrifty; also to surround the trade with circumstances and environment that will encourage thrifty habits and lead to the return to the purest co-operative ideals. With this in mind, we will deal with the records of credit trading simply and solely with the view to accomplish its complete control—an end so keenly desired.

The Check Office.

There is only one adequate and satisfactory method of dealing with credit trading—*by the centralisation of the records of accounts owing in the check office, which has absolute and complete control over the same.*† By this means only can a tight hand be kept upon the amount of credit given, or the value be secured of the lien upon share capital given by the Act (section 23), not only because it takes away any power or discretion from the shop manager, but also it prevents a member from obtaining a large amount of credit by a shrewd division of his attention among various departments. The refusal of societies to recognise credit in their adoption of check systems, yet nevertheless to allow it; the pinning of their faith to loose checks, though the book system is the only method of adequately recording accounts owing; these considerations compel us to reluctantly deal with the shop ledger, though we cannot conscientiously utter a word in its defence.

The Shop Ledger.

The shop ledger should be arranged in a manner so as to give full particulars of the purchase, the date of payment

* See page 68.

† This also applies to sales deposits, and hire-purchase instalments.

and the number of the check issued for cash. There should be a proper personal* account in its debit and credit relations, and it may seem remarkable at this stage of co-operative progress to have to suggest to the secretary that the practice of "crossing off" an account when the same is paid should be discontinued. As no separate sales day book† is kept for goods sold, it might be combined with the shop ledger itself, a careful examination of the form given on page 400 showing the manner of accounting. Balances owing at the end of the balancing period should be carried out into the column provided, and relisted on a new page in the ledger, against which payments in the new period will be credited. This list will also be copied upon a debt sheet, ruled in a special form,‡ which also provides columns for the entry by the share office of the share capital on which the society holds a lien; and after completion it should be submitted to the committee. It will be noted that the complete method of dealing with the shop sales where the shop ledger is used would be by the entry of every sale in the shop ledger, whether credit is given or payment made at the time the goods were purchased. In this case the total of the goods column should agree with the balance of the sales adjustment account,§ after taking into account the balances to begin and to end; also the cash paid as per the check books in the shop should also agree with the cash column of the ledger. The work that would thus fall upon the shopman (providing another argument for the abolition of the shop ledger) interfering with the work of serving, has rendered it usual to omit double transactions or ready-money purchases, as in this case the personal relation balances; but unless separate records be kept for ledgered or unledgered cash,¶ there is no proof of the clerical accuracy of the entries.** Hence, for the correctness of the list of balances, the care and knowledge of the shopman have to

* See "Co-operative Book-keeping," page 17.
† *Ibid.*, page 36. ‡ See page 405.
§ See "Co-operative Book-keeping," page 206.
‖ *Ibid.*, page 55. ¶ *Ibid.*, page 56. ** *Ibid.*, page 61.

be entirely relied upon. It is no reflection on the shop assistant to suggest that this cannot be accepted as altogether satisfactory evidence for the verification of the balances owing included as assets in the balance sheet, for there is no reasonable means of obtaining confirmation from the members themselves. Running accounts should not be permitted when the shop ledger is used; consequently, when payment is made, it should be appropriated* to the settlement of certain specified items, the amount being divided up for the purpose. To prevent a member from obtaining credit from various departments, which by the use of the shop ledger is difficult to control, some societies treat the textile, boots, and coal departments on a ready-money basis, and only allow goods on credit if made with the written order of the grocery shop manager, through whom the goods are charged. This method, however, is a dangerous one. Apart from the difficulty of controlling credit by the shop manager, where the purchases are made elsewhere than in his own shop, it is an incentive to connivance between the employés of each department to cover manipulation in goods or frauds in check systems, in many ways that we need not detail here. The goods have to be recorded in the transfers to the debit of the grocery shop, and to the credit of the drapery department at selling prices, or the trade and leakage accounts of each department are prejudiced. The mere fact that the cash received is credited to the grocery and not to the drapery, gives in each case a wrong basis for the rate upon sales of leakage or profit for purposes of comparison, and if credit is also directly allowed in the drapery department there is a danger of including the amounts twice in the lists of accounts owing.

The Book System.

By the book system a society is enabled to abolish the shop ledger, and keep a tight grip upon credit trading by centralising its record in the check office. It will be seen that

* See page 447.

by this means the check office acts as a check upon the cash office and the records of the shops, both of cash and goods. The trading pass book in the hands of the member bears his share number, and is ruled with the columns representing goods, cash, and balance. The counter book is used in the shop, one for goods and the other for cash, which are paged in duplicate, the perforated sheet being sent each day to the office and the carbon copy remaining in the custody of the shopman. Each transaction, whether of goods or cash, is entered in the member's book, the reference to the counter book given, and the balance to date on each transaction indicated in the column provided. The counter book acts as the sales day book, giving the value of the turnover for the day; and as the cash received book, giving the amount of cash which the shopman has to account for. Columns are provided in the counter books for the share number, the name, and amount; and time is saved to the check office in posting if the share numbers are entered in separate columns headed 1-500, 501-1000, and so forth, according to the series under which they fall. The ledgers* are ruled in the same manner as the member's book, into which the shop sheets are posted each day—an important but onerous duty. Unless errors are made in the posting and balancing, the office is able to watch that the limit of credit is not exceeded in each case, the amount allowed being fixed by the committee or manager, chiefly according to share capital invested, the same being entered on the top of the member's book and noted in the share ledger, to prevent allowances beyond the limit being unwittingly made. At the end of the quarter the accounts in the members' personal ledger are totalled, an analytical abstract† is made, and reconciled with the totals of the goods sheets and cash sheets from the shops. The exact proving of the members' ledgers is a difficult operation, for differences are often found when the members' books are

* See page 403.

† See page 404; also "Co-operative Book-keeping," page 205.

produced* and totalled. The new book system† as applied to credit obviates the use of the ledgers, bringing into requisition check trays for the distribution of the checks from the members' books, which are not open to errors of written numbers, as they bear the printed book number. The sales sheets have columns for both goods and cash, and are compiled in the check office by means of an adding machine‡ each day that the check boxes are returned, and, as the book numbers are allotted to certain shops, the accounts can be proved in total or in sections by a sales adjustment account at various times during the quarter by listing with an adding machine the balances upon the topmost check in each partition, which is known to correspond with the member's book. The members' books need not be produced for examination at the end of the quarter, as the continued totals on the tenth checks have been made by the shopmen and checked by the office.

Sales Deposits.

It is to be regretted that the sales deposit system, which is generally known by the name of "clubs," should have been so generally abused in the co-operative movement as to make us hesitate to deal with it in a work which bears the sanction and approval of the Co-operative Union. Instead of this method being used to establish the habit of thrift among members, by encouraging them "to save in order to spend," especially on articles which require a certain amount of capital outlay, it has been in its practical operation allowed to have the contrary effect, by introducing the principle of giving credit. In order to control the credit allowed under this undesirable method of dealing with clubs, societies have introduced the speculative or gambling element in the shape of a club draw, which cannot but meet with the dislike of thinking co-operators. This course is justified by many on the ground that credit is given in a methodical and regular fashion, and that the credit allowed

* See page 354. † See page 377 and foot-note, also page 402.
‡ See page 592.

by the society each week is only to the extent of the total weekly payments; also that the club ceases at certain fixed times when all the credit is exhausted. Nevertheless, these arguments are based on unstable premises. The fact that the anticipatory payments of some covers the credit allowed to others does not guarantee the full payment of the latter. Though the club ceases at certain times, the accounts are seldom completely closed. The draw ticket, by being used in part in several departments, makes the book-keeping difficult, and the chances of error extraordinary. Where the club records are made in the shop, it opens the door to petty pilfering by young assistants, and paltry disputes between shopman and member which prejudices the trade. But greater than all these considerations is the fact that an excellent principle has been prostituted to ignoble ends. Yet by means of sales deposits, conducted upon proper lines, lovers of co-operative ideals may see the way to abolish the practice of credit trading. Let us examine the method in this connection. Members are known to be behind in their payments for a running period of a week or longer period. They have not the ability, say on a Friday night, when the wages have been paid, to pay for the last week's groceries, and at the same time to tender ready money for the goods for the current week. By encouraging the sales deposit system, *on which no credit is allowed*, a series of weekly instalments to the end of a fixed period will allow the running liability to be definitely settled. It may then be safely assumed that credit can be abolished entirely, with immaterial loss, or a minimum of dissatisfaction or unsettlement. The club which in its correct form will have engrained the habit of thrift may be continued as a running sales deposit account, to provide in advance for the outlay upon certain articles of a nature referred to above, such as clothes, boots, or coal, and, being by this means earmarked for a certain purpose, is kept distinct and separate from share capital, on the same principle that an equalisation of dividend fund* is kept apart from the reserve fund.

* See page 568.

The Sales Deposit Ledger.

The only adequate means of working the sales deposit system is by means of book or card. The member's record has columns for deposits, withdrawals, and balance. The counter book is kept in the same manner as in the book system previously described. The ledger is found to be the most serviceable when arranged on the "Simplex" plan,* and will be proved in the usual manner. The cards will be produced for examination at the end of the quarter, though here again the difficulty of obtaining the cards is met with. It is a good plan to issue a new card on each withdrawal in value of goods, and to transfer the balance to a new card, the old card being handed to the shopman as the withdrawal receipt.† Thus an additional advantage is gained by the more frequent examination of the cards, that is, the opportunity of checking the deposits to date with the ledger during the period, and anticipating to some extent the adjustment of quarterly balances. The "Fielding-Wood" system is also in use in its adaptation to sales deposits, which the student can examine for himself.‡

Hire-Purchase Agreements.

The practice of letting out furniture or goods of a similar nature on hire, with the option of purchase on or before the termination of the period of hire, is one upon which there are conflicting opinions. The margin for savings in a thrifty household is so small that under a system of sales deposits it is difficult to anticipate altogether a large expenditure upon the necessary articles of furniture for a house. Instead, therefore, of allowing these goods to members on credit, they are *hired* under a hire-purchase agreement, which gives for a substantial sum, paid at the time the agreement§ is executed, the *option of purchase*, and in the case of the purchase only are the payments regarded as in reduction and settlement of the purchase price. The ordinary retail

* See page 139. † See page 398. ‡ See footnote, page 377.
§ A copy of a Model Agreement can be obtained from the Co-operative Union.

price, and not an enhanced price, should be fixed and specified in the schedule of the agreement. The amount paid down for the option of purchase, which is also taken in reduction of the price it the purchase takes place, should be sufficient to cover the gross profit upon the goods, such as 20 per cent on the retail price (which is, of course, 25 per cent on cost). This prevents, on the one hand, the payment of dividend out of capital, as the balances taken as assets do not then exceed cost price; also, the *bona fides* of the member is in a sense guaranteed, though the particular circumstances should be inquired into in each case. The balance is payable in equal monthly instalments, according to the terms mentioned in the agreement; and carries interest at 5 per cent on quarterly balances until the agreement is determined. Thus an incentive to pay in anticipation of instalments is secured. If the instalments are in arrear, then the goods can be reclaimed by the society; otherwise, when the contract is completed, the member becomes the owner, and the property in the goods passes to him.* It will be seen that the hire-purchases account has the nature of an investment account. An investment has been made, not in cash but in goods; it has been made at a discount, that is to say, the face value of the investment (being at retail price) is greater than the amount invested (the cost price of the article). The interest debited against the account is a credit to the expenses account, to cover the interest paid by the society for the use of the capital; and, to the extent that the rate is in excess of the interest paid upon the share capital, it covers the expense of the office in working the account. To the extent also that the cash received is in excess of the interest charged, it redeems the capital invested. As the specific goods can be reclaimed if the option of purchase is not exercised by the completion of the contract through regular and total payment, to that extent the goods are depreciated, after allowing for the difference between cost and selling prices. There are also

* See page 162.

points of similarity to the fixed stock account. It will be noted that the credit to expenses account decreases as the capital value is diminished, and the depreciation or redemption of capital therefore is at an ever-increasing rate, differing in this respect from depreciation on original or nominal value.* By the time that the payments are completed, and consequently the option of purchase exercised, the capital value has been written off. Unless the system is kept strictly under control and within reasonable limits it may prove dangerous. It should be used only in the case of necessary articles of furniture, not for small articles or luxuries. The goods should be identified from time to time, to verify their presence in the house of the member who holds them. By the agreement† he undertakes not to remove them from his premises without the written consent of the owners, to keep in good order, allowing for reasonable wear and tear; and to replace or renew to the satisfaction of the society any article broken, damaged, or destroyed by accident or fire. As these goods are subject to what is known as the "reputed ownership clause," they are liable to be seized in distress for rent, or by a trustee in bankruptcy. The agreement, therefore, provides for the reclaiming of goods not only in the event of instalments being in arrear, but if the hirer commits an act of bankruptcy, or the rent is not paid; but such power must be taken prior to the action of third parties. The production of the receipts for rent or rent book can also be demanded, or if the society has elected to pay the rent or insurance premium the right is given in the agreement to have the same repaid by the hirer. These conditions are difficult to enforce, and consequently there is

* See page 488.

† See footnote, page 395. A hire-purchase agreement must be now stamped as an agreement (with a 6d. stamp), or, if under seal (or in Scotland with a clause of registration), as a deed (see page 466), as the case requires. The exemption under the Stamp Act of 1891 does not now apply to these instruments. All agreements stamped with a 6d. stamp must be stamped within fourteen days of execution if an impressed stamp is required, that is to say, if the signature has not been given over an adhesive sixpenny stamp.

a great risk of fire, damage, distress, bankruptcy, or secret removal, and therefore the best policy of insurance is to make a careful inquiry into the character and means of the hirer before the agreement is executed and the goods delivered.

The Hire-Purchase Ledger.

Instalments payable under hire-purchase agreements should always be paid direct to the cash office, the ledger office keeping the ledger relating thereto.* The latter will be well arranged upon the loose leaf ledger plan, and in the form given on page 406. When goods are delivered to a member under this system, the goods office will issue a transfer invoice against the ledger office at selling prices both for the credit of the leakage account† of the furnishing department, and also for the credit of the trade account and the debit of the hire-purchase account; for, though the goods are not purchased but let out on hire, the sum to be paid down for the option of purchase reserved to the member in the agreement covers, or should cover, the profit made thereon, and the furnishing department is entitled to it. At the end of the period the usual analytical abstract‡ is made and proved, the totals of the same being generally embodied in the investments account under the heading of loans secured,§ and the balances at the balancing date entered among the assets in the balance sheet.

Dividend on Sales Deposits, and Hire-Purchase Instalments.

It is unfortunate not only that societies give credit under the sales deposit or club system, as already explained, but also issue checks for dividend upon the cash received. If under this credit plan all deposits were consistently made subsequent to the purchase, then the issue of checks upon them would be technically justifiable, for provision could be made for dividend on club accounts owing. Where deposits are made in advance of purchases, to issue checks for dividend

* See page 389. † See page 240. ‡ See page 392. § See page 574.

thereon is to pay dividend on capital—as absurd as paying dividend upon share or penny bank contributions. The only consistent method, therefore, is to keep the sales deposit account in the manner previously recommended, and to issue checks upon the goods withdrawn. To effect this a withdrawal receipt is given by the depositor for the goods drawn, and the shopman enters thereon the check he has issued for dividend, and produces it to the cash office in lieu of the cash, for which he has to account. This gives the cashier a clear account of sales, independent of the entries for the club account, for the goods are credited in the cash book as club withdrawals, and included in the debit for the sales of the department. Under the hire-purchase system, as the first instalment for the option of purchase should cover the retail profit, it would appear correct to give checks upon the cash payments, provision being made each balancing date for the dividend upon the current balances of the ledger. It might be argued, however, that as dividend is paid upon purchases, and as the purchase does not take place until the agreement is determined, the dividend should not only be provided for, but be retained until the purchase is complete, or for the purpose of providing for the last series of instalments. Yet in such a case, as the balances owing are reduced by the amounts of the instalments, unless checks are given upon instalments, provision for dividend should be made, not upon the balances, but upon the total retail value of goods the purchase of which has not been completed.*

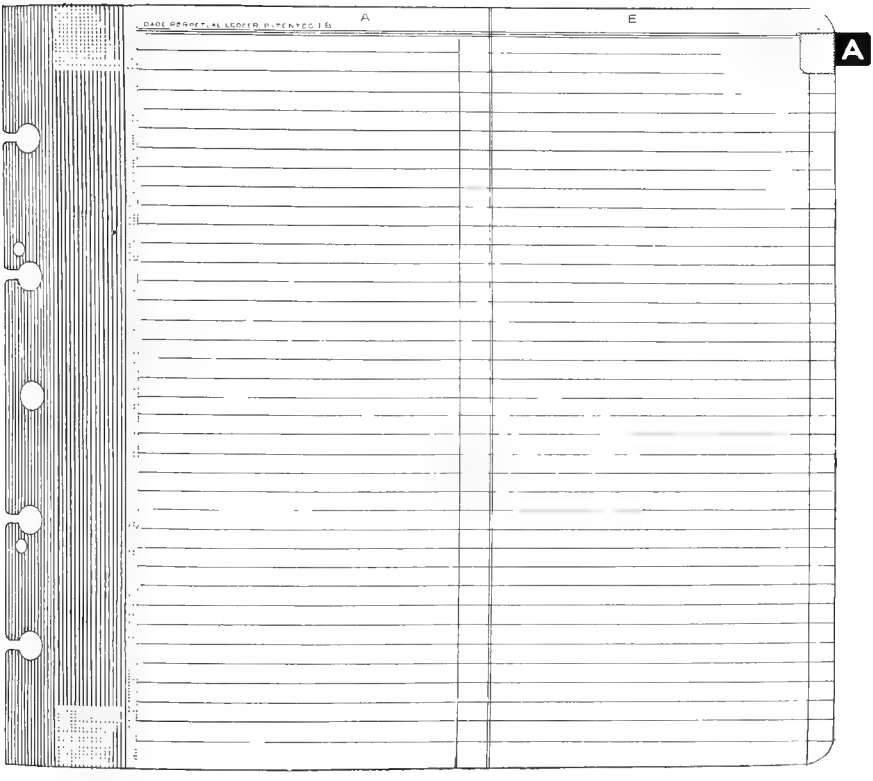
* See page 566.

APPENDIX TO CHAPTER XXII.

THE SHOP LEDGER.

Date.	Name.	Address.	Amount.	Shopm'n's Initials.	Date when Paid.	Check No.	Amount.	By whom Received.

LOOSE-LEAF LEDGER INDEX FOLIO.



Guide sheet, arranged alphabetically for Purchase Ledger and numerically for Share Ledgers.

[*Kindly lent by the Lyle Manufacturing Co. Ltd.*

PLATE XXVI.

To face page 400.

THE PLAYFAIR CO-OPERATIVE SOCIETY LIMITED.

No..... *Shop*..... *Department*.....

Date.	Member's Share No.					Name.	Goods Sold.	Cash Received.	Initials.
	1–1000.	1001–2000.	2001–3000.	3001–4000.	4001–5000.				

MEMBER'S PURCHASE BOOK.—CREDIT SYSTEM.

FIELDING-WOOD CHECK SYSTEM.

Member's Name. .....

Credit Allowed £ : :

	Book No.	Prog. No.	Dept.	Goods.	Cash.	Balance.	Initials.
	Brought	*forward*					
1st Check.	AB **39**	21					
2nd Check.	AB **39**	22					
3rd Check.	AB **39**	23					
4th Check.	AB **39**	24					
5th Check.	AB **39**	25					
6th Check.	AB **39**	26					
7th Check.	AB **39**	27					
8th Check.	AB **39**	28					
9th Check.	AB **39**	29					
10th Check.	AB **39**	30					
	Carried	*forward*					

THE BOOK IS BOUND HERE.

REDUCED FAC-SIMILE.

MEMBERS' CREDIT LEDGER.

301.				302.				303.				304.				305.			
Date.	Goods.	Cash.	Balance.	Date.	Goods.	Cash.	Balance.	Date.	Goods.	Cash.	Balance.	Date.	Goods.	Cash.	Balance.	Date.	Goods.	Cash.	Balance.

SALES ADJUSTMENT ACCOUNT.

Sales as per Counter Books			Cash as per Counter Book.....		
Add or Deduct Difference			Add or Deduct Difference*.....		
Sales as per Ledger ..			Cash as per Ledger ..		
Balances to begin ..			Balances to end		

* This will increase or decrease the difference in comparison between counter books and cash handed over.

MEMBERS' DEBT SHEET.

Quarter ended.....19.....

Share Number.	Name.	Address.	Occupation.	Amount Owing.	Date Contracted.	Share Claim.

HIRE-PURCHASE LEDGER.

Share No...... *NAME*.....

Value of Goods, £..... *ADDRESS*.....

	Year.	Month	Day.	Interest.	Paym'nts	* Balance.	Year.	Month	Day.	Interest.	Paym'nts	Balance.

* The balance is the value of the goods, plus interest, less the instalments.

CHAPTER XXIII.

The Cash Office—Finance and Banking.

Finance.

The question of finance is one upon which the safety and success of a society are so completely dependent that it is always desirable to have a sub-committee specially confined to this department of control. It should be remembered that many a *solvent* concern has gone into liquidation merely on account of its inability to pay its liabilities in due course. This may be the result of want of capital to meet the ordinary requirements of the trade; or, inversely, it may be the investment of capital in fixed assets in such a manner as to give insufficient liquid assets to meet engagements as they become due. The method of issuing withdrawable shares, peculiar to distributive societies, renders the question of finance the more important in the fact that at any time the society may be subject to heavy and excessive withdrawals, and if there is an inadequate amount of available liquid assets to meet them, suspension of payment cannot be avoided (see Rule 55), such having the effect of shaking both the goodwill and the credit of the co-operative concern. Goodwill may be defined as the custom of certain people to go regularly with their business to a particular place or firm. It is a valuable asset, but is never included as such in the balance sheet of a co-operative society;* nor in a joint-stock company or a partnership, unless the business has been purchased, and, in addition to the purchase of the effects at a valuation, a price has been paid for the goodwill fixed upon the basis of a term of years' purchase of the average profits. The credit of a concern is its reputation, on which is founded the trust or confidence reposed by creditors in

* The reason being that the rules fix the withdrawable value at par.

its ability to meet its engagements. The credit of a society, so far as share capital is concerned, is peculiarly interwoven with the goodwill, as the shareholder and purchaser are identical, and their interests interdependent. The result of this is often seen when a fall in sales is accompanied by a fall in share capital by heavy withdrawals. The mere fact of issuing withdrawable shares makes the society a deposit bank, so far as the members' savings are concerned,* so that to maintain its credit, the society is bound to follow the custom of banks, and have a reasonable guarantee of the payment of these claims by sums invested in a manner realisable at call, or what are called "cash reserves."† The credit of a society in the regard of trade creditors is generally great on account of the fact that their claims must be paid before the shareholders can participate, and yet there have had to be provided the cash reserves to meet the share claims, as stated above. The best goods on the best terms are therefore obtainable, and the competition which thus arises has a healthy effect upon purchases from co-operative sources.‡ It may be argued that the fixed assets may be mortgaged to the bank, but it will be seen this is simply a method of obtaining available liquid assets; nevertheless, this plan is generally resorted to as a last resource to stem a panic in a distributive society, and in a productive society is often necessary in the ordinary course of trade on account of the insufficiency of capital invested by the distributive societies. Also, in a productive society, the shares are transferable and not withdrawable, giving further guarantee to the creditors as a set-off to the mortgage charge, which in liquidation would be satisfied before their claims ranked at all. It should be noted that liquid assets are floating assets,§ but floating assets are not necessarily liquid assets in the sense referred to above. For example, loan investments might be liquid assets—cash in bank certainly is, but stock-in-trade would not be thus regarded, as the trade requires

* See page 115; also "Co-operative Book-keeping," page 307.
† See page 543. ‡ See Chapter XI.
§ See "Co-operative Book-keeping," page 79.

the permanent investment of certain amounts in this class of property.* The credit which a society enjoys, whether with members or the outside public, depends not only upon the goodwill, but also upon the relation which the fixed assets and the floating assets required for trading bear to the liquid assets; also the manner in which the latter have been invested outside the business, and the rate in which the capital invested in the former is redeemed by depreciation† or reserve funds‡; that is to say, the amount set aside from the profits before the distribution of dividend, this having the effect of unfastening the capital.

Banking.

In earlier times, available capital for trading was in the form of coin; but the difficulty of storing bullion, its liability to theft, and the clumsiness of its use in tendering payment at a distance, caused the introduction of "paper," or negotiable instruments founded upon the promise of the debtor to pay cash on demand or on a fixed future time, and which are negotiated or transferred from hand to hand for value. These documents are in the form of bills of exchange and promissory notes, and are seldom met with in their ordinary form§ in co-operative trading. The difference between them lies in the fact that the debtor is the maker of the promissory note, and the creditor the payee to whom it is addressed; whereas the bill of exchange is generally drawn by the creditor instructing the debtor to pay to his order or to the order of some other payee, the debtor only becoming liable if he accepts the primary liability upon it by endorsing it as such. Until he does so, the primary liability falls upon the drawer, as will be seen later when we deal with cheques. Both these kinds of paper securities are similarly negotiated, each holder for value endorsing over to the person to whom it is next delivered. They are thus used as currency only, differing from coin in the fact that

* See page 293. † See page 487. ‡ See "Co-operative Book-keeping," pages 180 and 374. § See page 424.

they are not legal tender unless with the consent of the party who received them.* The rise of banks may be attributed, therefore, not only to the requirements of trade for a custodian for coin and bullion, which the bank receives and accounts for in the ordinary debit and credit relations,† but to the trade necessity of cashing these bills for the accommodation of business. It is unnecessary here to trace the history of banking in England and Scotland, but a few words as to the natural evolution of banking may be of some interest. The business was acquired for the convenience of trade, the term banking, as understood in our country, being the receipt of deposits at a low rate of interest and lending the same at a greater rate, the difference being the profit reserved to the banker, which in provincial banks is enhanced by the charge for clearing, termed commission. It will be here noted that banking is similar to trading, except that it is the exchange of cash‡ and not goods. Bought cheaply, it is sold again at a dearer price. The banks, with their deposits, are able to advance on bills, for a consideration called discount, and as holders for value present the bills on maturity for payment. This business is called bill-broking. It will be seen that as the bills and notes were negotiated their security was strengthened. Each endorser was a surety for the previous endorser (drawer or acceptor), who, if the bill was dishonoured, was liable for its payment, and any one of the parties might be sued who had added his name, and therefore his credit, to the bill or note. The strength of a bank lies in its ability to meet its engagements, and consequently a certain proportion of its deposits are invested in funds available at call, to meet what is called a "run upon the bank," *i.e.*, a sudden extraordinary and excessive demand from the customers to repay their

* Bank Notes are in the exception to this rule. See also page 446.

† Money deposited in a bank is *mutium*—that is to say, the property in the money passes to the banker, who is liable to repay its *equivalent* only. It is not *depositum*, or placed in his hands as a trustee or bailee. An instance of the latter is when jewellery or precious stones are deposited with the bank, for which a receipt is given for the articles under description, and not for so much value in cash. ‡ See page 426.

deposits, generally caused by panic, but sometimes by a boom in trade. The monopoly of issuing bank notes in England enjoyed by the Bank of England (sometimes colloquially referred to as the "Old Lady of Threadneedle Street") has caused other banks to gather round it, and consequently their surplus funds not invested in consols are invested in the Bank of England in exchange for bank notes. Consols are investments in the British National Debt, and therefore the credit of the nation is behind them. As the Bank of England holds the surplus funds of the Government, and is bound by law to retain a certain amount of bullion against a restricted amount of note-issue, the credit of the nation is behind the Bank of England note. The effect of this will be seen when we discuss the bank rate. The Co-operative Wholesale Society's bank occupies the unique position of having, in addition, the credit of the co-operative movement behind its engagements. The employment of banks has, in the evolution of the usages and requirements of commerce, caused cheques and bank notes to be largely substituted for ordinary bills of exchange and promissory notes; thus the bank takes the place of acceptor or maker instead of broker, that is to say, undertaking the primary liability instead of the surety's liability as endorser.

The Bank Note.

Bank notes differ from cheques in that they are promissory notes and not bills of exchange; also that they are in all respects similar to cash in coin.* They are issued by the Bank of England, no other bank in England being allowed by law to issue such notes, except those in existence prior to the Bank Charter Act of 1844, and even those cases were confined to provincial banks, who forfeited their issue

* "They are not goods, nor securities, nor documents for debts, nor are so esteemed; but are treated as money, as cash, in the ordinary course and transaction of business, by the general consent of mankind; which gives them the credit and currency of money, to all intents and purposes. They are as much money as guineas themselves are; or any other current coin that is used in common payments as money or cash."—*Lord Mansfield in Miller* v. *Race.*

upon opening banking business in London. The consequence is that a bank note other than the Bank of England note is seldom seen.* Bank notes are payable on demand, and are not legal if issued at a value less than five pounds sterling. Bank of England notes differ from promissory notes in that they are legal tender,† and that they are payable to the bearer without endorsement. Nevertheless, the secretary should take careful note of the numbers of the notes that pass through his hands. If one is lost, payment may be countermanded by notice to the Bank of England, and another note issued if an indemnity or security is given. If a note is stolen from the society, its value cannot be recovered from a third party who has received it in a contract for which the note is *adequate*‡ consideration. If payment has been stopped by the bank, however, the third party cannot recover from the person who paid it to him, unless it is not a Bank of England note, *and* the payee has endorsed it.§ As a Bank of England note is legal tender, endorsement does not place any liability upon the endorser; its value can also be redeemed at any time from the Bank of England on demand.

The Cheque.

The great majority of money transactions are performed by means of the cheque; in fact, without this method, commerce would be brought to a standstill. A cheque is defined by the Bills of Exchange Act, 1882, as a bill of exchange, drawn upon a banker, and payable on demand. In other words, the person who has funds in the bank, and is therefore a creditor to the bank, draws a bill of exchange payable to a third party, which the bank accepts upon presentation, and, being payable on demand, pays at the same time. The bank must accept if there are funds to pay, but need not pay until maturity, though there is apparently nothing to prevent a banker paying in advance of date. A

* This restriction does not apply in Scotland or Ireland. Scottish banks, however, must store or stock bullion to meet their note issue.

† See page 446 ‡ See page 151. § See page 415.

banker will refuse to honour a cheque drawn upon him if payment has been countermanded by the drawer, or on the death or bankruptcy of the drawer; and, subject to this and in the absence of special instructions, he must pay in order of presentation. A cheque is generally made out upon a special form issued by the bank to the customer, and bearing an impressed penny stamp, with which he is debited. He may, however, make out a cheque on a sheet of notepaper, the signature made over an adhesive penny stamp. It is inadvisable to do this, however, on account of the great risk of fraud.* A cheque is either payable to "order" or to "bearer." If the former, the endorsement of the payee is required; in the latter, it is unnecessary, though some banks require this. Either the drawer or payee may change a cheque from bearer to order, but the drawer only can change from order to bearer, his initials being required to the alteration.† Although contracts made on a Sunday are voidable,‡ this does not invalidate a cheque dated on such a day. The holder of the cheque is not bound to present it to the bank (though it is most desirable for him to do so), but he may endorse it over to another for value in the same manner as an ordinary bill of exchange. Business houses of any standing seldom do this, nevertheless the bank account§ should be carefully and regularly compared with the pass book to ascertain outstanding cheques,|| and also to prove the bank account with the bank balance. If cheques are outstanding for any length of time their payment should be countermanded, for though the bank usually refuses to pay a cheque which is more than six months old, there is a liability to meet it within six years of the date appearing thereon.¶

The Signing and Endorsing of Cheques.

Cheques can only be signed by the person or persons in

* See page 416. † As the drawer is the person or persons who signed the cheque, the initials of all such parties are required.
‡ See page 159. § See page 454.
|| See "Co-operative Book-keeping," page 249. ¶ See page 148.

whose name the account was opened.* Where the customer is the society, a written authority is required by the bank stating who are the officials authorised to sign cheques on the societies' behalf, and signatures in *fac-simile* given. By Rule 109, the secretary and one or two committee-men must sign the cheques, the members of the finance committee being the most appropriate persons. The cashier should not sign, as he makes out the cheques,† and the signature of the secretary gives independent office proof that the payment is a proper one. All payments above £5 must be made by cheque, though the general meeting may fix a lesser sum (Rule 109). The office of the person signing should be given in each case, though this is often printed upon the cheque itself.‡ No cheques should be signed in advance, and the persons authorised to sign should initial the counterfoil from which the cheque was issued, and on which the name, date, and amount of the cheque should be given. The manner of endorsement of cheques payable to order issued by the society will not affect the co-operative secretary, as that will be the concern of the bank where the cheques were paid in ; sufficient to say that the endorsement should agree with the name entered upon the face of the cheque as the payee, and, if incorrectly given, the proper signature placed underneath the endorsement. Cheques payable to the society are generally accepted by the bank if stamped on the back with the name of the society, the secretary or cashier adding his signature as such.

The Crossing of Cheques.

So many frauds have been committed in the manipulation of cheques, and so few are the people who conduct business without the aid of a bank account, that it should be a rule in the cash office that all cheques be crossed before issue. The custom is to draw two parallel lines across the cheque, and sometimes the unnecessary and almost meaningless words "and Co." are added. The cheque thus crossed

* Or by those to whom power to sign per pro. (per procuratione) has been duly authorised. † See page 428. ‡ See page 424.

cannot be paid over the counter in cash when presented, except at the banker's risk, but must go to the credit of a customer's account, whether it be the one of the payee or the holder, whoever happens to pay it in. Sometimes the words "not negotiable" are added, which is misleading, as the cheque is still a negotiable instrument, but ceases to have the *rights* of negotiability, the words really denuding the holder for value of any protection from defect of title For instance, if a society issues a cheque with a simple crossing, and after endorsement by the payee (if an "order" cheque) it falls into wrong hands, afterwards being transferred for value to a person who has no knowledge of the defect of title, the payee has to bear the loss, even though on notice from him the society had countermanded payment. If, however, the words "not negotiable" have been added, the final holder, even though he exchanged goods or cash for it, cannot enforce his claim against the payee. Cheques treated as above are referred to as having been crossed "generally." "Special" crossings are in those cases where the bank is named to which it is to be paid, the lines or words "and Co." being unnecessary; this is done on the request of the payee, generally indicated on the demand note or invoice forms. In this case the paying banker will see that the name of the banker referred to on the special crossing has been stamped upon the cheque before he pays the document. An uncrossed cheque may be crossed generally or specially by the holder, who may also alter a general crossing into a special crossing, or add the words "not negotiable." Any other alteration by the payee is a forgery, such as striking out a crossing and adding "pay cash."

Cheque Irregularities.

When a cheque is lost, the drawer is the only person who can countermand payment, notice to the bank by the payee not being sufficient. The drawer cannot refuse the payee's request, but he may require indemnity or security before issuing a new cheque for the amount. If the cheque

is lost in the post, on the proof of posting the loss falls upon the payee.* A holder for value can compel payment from the drawer, unless the cheque was marked "not negotiable," *and* (if an "order" cheque) the endorsement was forged. Where the signature on a cheque is forged, the banker is liable to refund the amount thus debited to the customer's account; if, however, the endorsement is forged, the banker, paying in good faith, is not liable to the customer, but the collecting banker is liable if the cheque was uncrossed, but not on crossed ones.† If the forging consists of alteration of figures the customer has to bear the loss,‡ and consequently every care should be taken in writing cheques, so that alteration is difficult if not impossible. Many firms write or perforate across their cheques such words as "under ten pounds," to prevent such alterations as "8" into "80" and "eight" into "eighty." The forger is now so expert that by chemical or mechanical means he can get over these devices, so that many banks and business houses use the "Protectograph,"§ which breaks a typed limiting line completely through the cheque, and at the same time saturates the broken fibres with indelible ink. It cannot be too strongly emphasised upon the secretary that cheques received should be banked at once. Cheques should not be negotiated by transferring to other parties for value, or held, for it is only by depositing cheques as they are received that it is made certain that there are funds to meet them, and that there is no defect of title or other irregularity in the cheques themselves. It might also be suggested that interest is being lost upon the amount. Some societies meet the convenience of members (who as a rule have no banking account) by banking crossed cheques for them, but it is a doubtful practice. These should never be cashed, nor change given when accepted on share account, or received in payment of goods. A secretary should always cross uncrossed cheques

* Because the post is the customary means of communication.
† Bills of Exchange (Crossed Cheques) Act, 1906.
‡ According to several judgments.
§ See page 576.

THE COMPUTING SCALE.

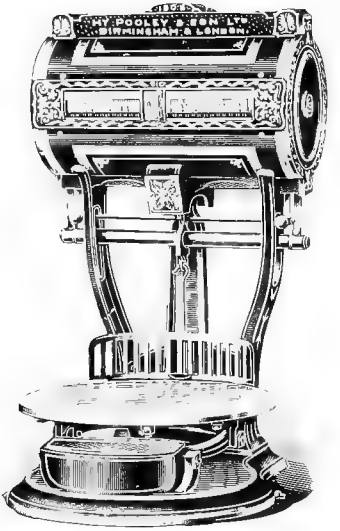


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PLATE XXVII.

To face page 116

on receipt, and should only issue crossed cheques in payment of liabilities; they should also be payable to order and not to bearer.

The Clearing House.

Not only are the customer and his banker on ordinary debit and credit relations, but also the banks themselves. A cheque drawn by a debtor need not be presented at the bank on whom it is drawn, but may be deposited by the creditor into his own banking account. The bank that collects is the agent of the customer, and presents the cheque to be honoured to the banker of the drawer. It would be inconvenient and difficult for payment in cash to be required for each cheque drawn, consequently the bankers as between themselves open an account against each other, the balance only requiring settlement by payment. In order to further assist the collection of cheques and other paper, clearing houses have been established in London and the provinces for a similar purpose, which act as agents in debit and credit relations with the banks to collect the cheques drawn on each.

Postal Orders and Money Orders.

The Post Office is empowered by law to issue bills of exchange drawn upon itself.* They are in two kinds, postal orders and money orders, and are supplied for the benefit of those who have no account with a bank. They differ from bank notes in that they are "not negotiable"† in any sense, nor are they legal tender, except with the consent of the creditor. A commission or poundage is charged for issue. The postal order (which now carries a perforated counterfoil for the entry of particulars and note of the number) is issued in blank, but the holder for value must enter the name of the payee before remitting it, and should

* The postmaster is the drawer, who draws upon the Postmaster-General in favour of the payee, to whom the holder or purchaser desires to remit it.

† See page 415.

enter the name of the office of payment, if he does not cross it for payment through a bank. If it is cashed it is not payable to any person but the payee, who must sign the acknowledgment of receipt in the space provided. If passed through the bank, no receipt is necessary, but the payee's name must have been entered as stated above. It may be collected by any bank like a cheque, and through any bank account, *i.e.*, whether that of the payee or not. A money order differs from a postal order in the sense that it may be issued for any amount (the postal order having certain face values printed thereon)* ; also a copy of the money order is retained by the post office. The drawer, the payee, and office of payment must be given before it will be issued. The copy is sent to the post office where it is honoured, and the payee must give the name of the drawer and sign the money order before payment will be made. Money orders, like postal orders, may be crossed like cheques, and may be banked and collected in like manner.

Bank Interest and the Bank Rate.

It is remarkable how implicitly not only co-operative societies but private firms accept the calculation of interest entered in their pass books without attempting to verify its accuracy. This may arise out of ignorance of the method in which bankers make the calculation. Before, however, dealing with this particular question, a few words as to the effect of interest upon financing may be worthy of the space allotted to them. The interest upon deposits is always at a lower rate than the interest charged upon advances, for in this the banker obtains his return for his service. The bank rate, a term generally understood to be the rate at which the Bank of England is willing to grant loans and discount bills, has a direct effect upon the interest agreed to be charged or credited to a society's banking account. The general rule of a bank is to lend at 1 per cent above bank rate, and to borrow at 1½ per cent below such rate, though,

* See page 66.

as in trade, specially low terms may be obtained where the turnover in money is large, and in the case of loans or overdrafts, where the security is ample. The secretary who wishes to understand the principles of financing will, no doubt, be interested in the manner in which the bank rate is fixed. "Though the Bank directors are primarily responsible for fixing the rate, they have very little hand in creating the conditions which determine each successive change. That is done for them by outside banks of all sorts—London, provincial, and foreign. The fixing of the rate is a large problem which extends far beyond Threadneedle Street. It is the fundamental problem, not of English banking only, but of world-wide banking."* We have said that the Bank of England keeps the cash reserves of all other banks, and consequently has the only large stock of bullion in the land. In our trade with foreign countries, if goods and British securities sent out are not sufficient to pay for the goods and foreign securities imported, then the balance must be paid in precious metals, and if the stock of bullion begins to decrease to any large extent, then the other banks get nervous on account of their cash reserves, as they would otherwise be unable to meet the wants in coin of their own customers. Of course, the Bank of England might recover by means of an excessive issue of bank notes, which would be used as currency, but the issue is limited by Act of Parliament, and only in cases of extreme panic, to prevent the Bank of England from suspending payment, would a special Act be passed allowing an increase of such issue. The usual course, however, is to increase the bank rate, thus attracting the gold into the Bank coffers again. On the other hand, if the influx of gold is excessive, the ordinary law of supply and demand obtains, for the supply being great, money becomes cheap, and the bank rate is lowered in consequence. Internal conditions have a similar effect upon the exchange of money. When there is a boom

* W. R. Lawson, the well-known publicist, before the University of Birmingham.

in trade more loans are required, bills become brisk, the demand increases the price of money, and the consequent raising of the bank rate acts as a check upon speculation. It will therefore be seen that a multitude of circumstances govern the variations in the bank rate, some of which automatically destroy the effect of others. A word about consols might be appropriately given. Consols are in effect the shares which are held in the National Debt, the assets to correspond being represented by the credit or goodwill of the nation. Being the safest class of investment, the return in interest is small, and the varying demands of money for home or foreign investments affects their price. When trade is dull consols are high, because people are looking for a safe investment of capital; when trade is brisk consols are low, because money is required elsewhere. A decrease in the National Debt has the effect of raising the price of consols to the extent of reducing the supply of these investments; and also cheapens money by flooding the market with a greater supply of available cash for investment elsewhere. It will be thus seen by the few remarks above, which but touch the fringe of the subject, that the price of consols and the variation of the bank rate are the result of a variety of causes which even the most expert financiers are unable to trace with any measure of exactness, and proves the statement quoted on previous page. The elasticity of the co-operative movement prevents its being affected materially by the variations in the money market. The mere fact that societies depend upon the trade of working men, and their cash payments for goods are made from the wages of labour, the first charge upon the nation's current coin; also that the profits upon the same accumulate in share capital, which in its turn becomes by investment the capital of the productive concerns; these conditions keep money free and independent from the tightness that may be the result of a boom in home trade on the one hand, or a debit balance on foreign trade on the other. The large cash reserves that are accumulated, and the large reserve funds set aside to

redeem capital invested in fixed assets, give a strength to the movement which could take with impunity a severe blow to co-operative credit.

How to Check Bank Interest and Commission.

London bankers do not charge commission, but rely upon interest on advances to make their profits. Provincial banks (including the Co-operative Wholesale Bank) usually charge a commission for clearing cheques, either at a rate varying from 2s. 6d. per cent downwards, according to the size of the account, or at a fixed charge per annum. Some provincial banks also charge commission indirectly by an arrangement that, though no charge for commission should be made, the account should always have a minimum credit balance in favour of the customer. The interest is charged on daily balances at two rates—a deposit rate for credit balances and a loan rate for debit balances. The method of calculation will be noted in the appendix on page 425. Each daily balance is carried into the outer columns according as they are to the debit or the credit of the customer, and in an adjoining column is entered the number of days that each balance remains stationary. A running calculation is made by multiplying the pounds of the balance by the days. It will be seen that at any time the bank can easily give the calculation of interest to date.* The column referring to each set of balances are totalled, and calculated separately at the different deposit and overdraft rates, assuming that the number of pounds sterling in the total columns have been gaining interest for one day.† The difference between the two calculations should give the net debit or credit interest, as the case may be. It is now the custom of bankers to give credit to customers for deposits as on the day of deposit, which course, under the Bills of Exchange (Crossed Cheques) Act, 1906, does not deprive the bank of the privilege of agency for the customer, that is to say,

* See "Co-operative Book-keeping," page 251.

† $\frac{\text{Rate per cent} \times \text{calculation.}}{365 \times 100.}$

putting them under the liability of a holder in due course. Nevertheless, they often attempt to charge the customer with the three days' interest upon cheques deposited, which they lose (if interest is credited from the date of deposit) during the time of clearing. The commission, if fixed upon a percentage, is calculated upon the cheques drawn, and the secretary will satisfy himself that the balance brought forward appearing on the withdrawals side of the account, has not been included in the calculation. The Co-operative Wholesale dividend is based upon a percentage of 1 per cent, which is calculated in a similar fashion to the interest, that is to say, on the difference of the debit and credit calculation on days, irrespective whether such difference is to debit or credit.

Combination Cheque and Receipt.

Societies often have their cheque books supplied by the bank with their own matter specially printed thereon, and sometimes they have them arranged in such a manner as to make the document at the same time an acknowledgment of receipt by the payee. The difficulty of this course lies in the fact that, though the cheque belongs to the drawer, the banker is entitled to an acknowledgment for the document before surrender, or he may even retain it as a voucher until the account is settled. Apart from the irregular vouching of the cash book through late deposit of cheques by the payee, there is also the risk that without a separate acknowledgment of receipt by return of post, there is a lack of knowledge as to whether the cheque has arrived safely, or, getting into wrong hands, the cheque has been paid by means of a forged endorsement. In such a case the drawer has to bear the loss, and not the bank.*

Overdrafts.

When a society is in need of available liquid assets an overdraft from the bank is resorted to. The required

* Section 82, Bills of Exchange Act, 1882. See page 416.

security may be given by a legal or an equitable mortgage.* In the former case the property is actually conveyed by mortgage deed, and in the latter an agreement is entered into to execute a legal mortgage when called upon. The advantage of obtaining money from a bank on mortgage lies in the fact that the consideration may not be required during the whole term of the agreement, and therefore the interest charge is reduced as the overdraft is reduced. When societies have an overdraft among their liabilities it is often argued that interest is being saved by borrowing at a less price than that of share capital. Nevertheless, in a distributive society it is not a good feature, as it probably means the absence of cash reserves as against a run on share capital, and an excessive amount invested in fixed assets. The suggestion may also be made that in normal times use is being made of one of the resources which might be reserved for times of difficulty.

* See page 469. An equitable mortgage is not lawful in Scotland.

APPENDIX TO CHAPTER XXIII.

SHOWING THE WORDING OF NEGOTIABLE INSTRUMENTS.

BILL OF EXCHANGE.

£100 0 0.

DEANSGATE ARCADE,
MANCHESTER,
1st February, 1909.

Accepted,
James Roebuck.

1/-
IMPRESSED
STAMP

Three Months after date pay to my order the sum of One Hundred Pounds for value received.

JAMES ROEBUCK,
NEW ST., BIRMINGHAM.

B. SMART.

PROMISSORY NOTE.

£100 0 0

DEANSGATE ARCADE,
MANCHESTER,
1st February, 1909.

1/-
IMPRESSED
STAMP.

Three Months after date I promise to pay William Roberts or order the sum of One Hundred Pounds value received.

WILLIAM ROBERTS,
DIDSBURY, MANCHESTER.

TOM BROWN.

CHEQUE.

UNDER NINETY POUNDS.*

CO-OPERATIVE WHOLESALE SOCIETY.
BANKERS.

1st February, 1909.

1, BALLOON STREET,
MANCHESTER.

1d.
IMPRESSED
STAMP.

Pay to *Cyril Thompson* or order
Eighty Pounds Five Shillings and Sixpence.

£80 5 6.

ARTHUR SIMPSON.

* See pages 416 and 576.

THE PLAYFAIR CO-OPERATIVE SOCIETY IN ACCOUNT WITH THE CO-OPERATIVE WHOLESALE SOCIETY BANKING DEPARTMENT.

Date	Deposits.			Withdrawals			Credit Balance.			Debit Balance.			Days.	Credit Calculation.	Debit Calculation.
	£	s.	d.	£	s.	d.	£	s.	d.	£	s.	d.			
April 1	69	0	0		4	2	68	15	10				9	612	
10				662	6	3				593	10	5	2		1186
12	68	0	0	10	0	0				535	10	5	1		535
13				5	0	0				540	10	5	5		2700
18				2	0	0				542	10	5	4		2168
22	9	11	1	8	0	0				540	19	4	8		4320
30	944	5	2	43	18	9	359	7	1				1	359	
May 1				100	0	0	259	7	1				1	259	
2	6	0	0				265	7	1				5	1325	
7				36	0	0	229	7	1				6	1374	
13	7	9	8				236	16	9				9	2124	
22	7	10	6				244	7	3				3	732	
25	3	0	0				247	7	3				4	988	
29				605	3	4				357	16	1	1		357
30				30	4	7				388	0	8	1		388
31	1277	9	4				889	8	8				1	889	
June 1				532	0	0	357	8	8				13	4641	
14	10	2	11				367	11	7				10	3670	
24				365	0	0	2	11	7				1	2	
25	62	19	8				65	11	3				5	325	
30	1678	16	2	1669	16	9	74	10	8						
30	Interest..				1	10	74	8	10						
Balance				74	8	10	74	8	10				90	17,300	11654
	4144	4	6	4144	4	6									

4% per annum on £11,654 for one day £1 5 6

2½% per annum on £17,300 for one day 1 3 8

Debit Interest 1 10

CHAPTER XXIV.

The Cash Office—Cash and its Employment.

The Medium of Exchange.

Cash is the term used for the medium of exchange,* and differs from goods in that it has no intrinsic value except that which is imported into it by the law relating to legal tender.† Cash is generally understood to be the coin of the realm, though it may also include postal and money orders, bank notes, cheques, or other negotiable instruments payable on demand. So great is the importance of the proper handling of cash, and so numerous are the opportunities afforded for fraud and misappropriation, on account of its nature, that no arrangements are too strict or fastidious to keep this form of assets under proper and immediate control. Consequently it should never be permitted to any officer or servant to have in his hands more than the necessary minimum amount of cash for any period of time, and such a person should be required regularly and frequently to account for the same.‡ It is also of advantage that such available cash should be distributed among a series of persons, than be under the control of one official, so that it is protected not by one conscience but by the good faith of many, in which case only connivance or collusion can permit of misappropriation to a material extent.

The Cash Office.

In societies of any magnitude the cash office should be separated from the other departments of office work. This course is most effective in reducing the temptation to commit

* See "Co-operative Book-keeping," pages 128 and 129.
† See page 446. ‡ See page 30.

fraud with cash. The duties of the cash office are then confined purely to the accurate entry of cash received and paid, and to the balancing of the cash book, the balance of which should agree daily with the cash on hand in the office. The cash office will then have nothing to do with the *authority* for receipts and payments, as this rests upon the shares, ledger, and check offices, or in the case of expenses, the secretary himself.* Thus the cash office acts as a check upon the other departments, which in their turn keep a correcting hand upon the cash office, as will have been noted in our discussion of these departments in previous chapters. In the case of "one man" societies, or those where a separate cashier is not appointed, there is the greatest danger to the manipulation of the records and the misappropriation of the funds. Though criminal dealings with cash are usually of a nature to be eventually brought to light (with the exception of fraud with check systems), yet the absence of internal check offers a greater opportunity for their extensive operation. Such a secretary will be well advised to decentralise his responsibility in such a manner as to cause no suspicion or reflection to be cast upon him. His best protection is an efficient and capable audit, but he will also take care that all cash is banked immediately upon receipt, and that he does not use unbanked receipts for the purpose of making payments. The bank will then act as a hedge between the debit and credit side of the cash book which will stand him in good stead, nor will he retain more than sufficient available moneys in his hands to meet actual requirements, such being drawn by cheque from time to time. He will also produce his cash balance weekly to the president or some other responsible official for his verification and certificate; arrange for the pass books to be produced to the auditor by the members through independent hands; and take no part himself in the payment of dividends. The value of an internal check lies in the fact that it discounts misappropriation through embezzlement, that is to say, by

* See page 337.

the manipulation of the records to conceal the fraud committed; thus the separation of the ledgers from the cash books, by placing them under the control of separate persons, acts as a valuable safeguard. Misappropriation may mean simply the inability to produce cash as per records, such as the balance of the cash book, or the cash as per checks recorded in the shop, and the theft of the cash short must be proved. The remedy against this is to call officials and employés, who handle cash, to account for moneys regularly and frequently, for if cash is short there is no *prima facie* presumption that it has been criminally appropriated for private and personal uses. Where security has been given which is compulsory by the terms of the Act (section 48), if provided for in the registered rules (Rule 102), redress may be obtained by suing upon the cash bond, or by the ordinary process of applying to the Courts for summary recovery. Frequent and regular calling to account is found in the practice of collecting cash received for sales and banking the same daily, and in the daily balancing of the daily cash book and the petty cash book, the procedure of balancing being explained later in our detailed discussion of the routine of the cash office.

The Cashier.

Where a cashier is appointed, he should have control as sub-chief over the staff of the cash office, for which he is directly responsible to the secretary. With regard to the arrangement of the cash office,* he should have the dealings with members over the cash counter under his personal oversight, but with no right of access to the cash tills of each sub-cashier. He will be responsible for all cash that comes into the office, and all payments tendered in cash other than by cheque. He is not responsible for the banking account beyond the proper and immediate deposit of cash that comes into his hands, nor for cheques drawn except so far as their drawing in blank is concerned, prior to their signature by

* See page 48.

the secretary and committee. The secretary is advised to keep the banking account under his own immediate control, thus keeping a check upon the transactions of cash by the cashier. The cashier has also under his control and responsibility the books of record, such as the daily cash book,* the contribution and withdrawal sheets,† the sundry receipts book,‡ the petty cash book,§ but not the summary cash book,‖ which the secretary should deal with personally. The filing of vouchers and the acknowledgment on behalf of the society for cash received also fall under the duties of the cashier. It cannot be too strongly emphasised that not only the cashier, but every person who handles the cash of the society, should give personal security,¶ for though a fidelity policy of insurance** may be taken out in addition, the latter in itself has no restraining effect upon the conduct of the cashier. Nor should anyone be appointed to deal with cash without the most careful inquiry being made into the applicant's previous record, and his character, if not his style of living. One of the best policies of fidelity insurance is a good salary. It may be suggested here without irrelevance that the time has come when the co-operative movement should recognise the magnitude of the amount of cash which passes through the office in the course of business each year, and become alive to the responsibility resting upon the officials in connection therewith.

The Share Office.

The cash received and paid on behalf of the share office is usually for share, penny bank, and loan contributions and withdrawals. The heavy duties connected with this branch of business in large societies often keeps certain clerks employed all through the day, in the same way as the cashiers in a bank. The following rules and regulations should be carefully noted. Proper hours should be fixed for the receipt and payments on these accounts, allowing a

* See page 454. † See page 453. ‡ See page 458.
§ See page 460. ‖ See "Co-operative Book-keeping," page 238.
¶ See page 24. ** See page 514.

certain amount of time in the evening for counting over the balance to the cashier, and for making the additions of the contribution and withdrawal books or sheets. Each sub-cashier will have a cash till,* which will be replenished either with the balance of the previous day, or a fixed sum to start the day, for which a memorandum of receipt will be given to the cashier. Though we have said that all receipts should be banked, this may be quoted as the solitary exception, the contributions during the day being used to pay withdrawals. The books or sheets for the record of these transactions are similar in ruling, giving columns for the share number and the amount of the cash handed over.† The sub-cashier should initial each entry made, so as to add his authority and responsibility to it, and should balance daily, handing the balance to the cashier as mentioned above. The additions of the sheets will be made, and their totals entered into the daily cash book.‡ It is advisable in the case of shares and penny banks to change the *personnel* of the counter cash every alternate week (if not alternate days), especially if the penny bank is held at the branches. This has the effect of reducing the possibility of collusion between the ledger clerk and the sub-cashier by "nursing" a member's pass book where contributions have been fraudulently omitted from the office records and the money misappropriated. The vouchers for the withdrawals will be in the form given on page 132.§

Purchases Accounts Paid by Cheque.

The transactions with cash relating to the purchase of goods should always be made by cheque, the only exception being in the case of cash purchases sometimes allowed to be made by shopmen out of their weekly takings. This rule may appear to the reader somewhat drastic in character, but is generally acknowledged by Joint Stock Companies as necessary to prevent the manipulation of discounts, and the filing of invoices which do not represent goods sold to

* See page 45. † See page 453. ‡ See page 454. § See page 120.

the society. It also ensures that all payments for goods come before the finance committee. Thus the grocery (drapery, &c.) committee have an effective control upon the purchase as soon as it is made* and the finance committee a power of criticism when the statement, the final record of the routine from the purchase book, is presented to be met by payment. When payments are made promptly and regularly, the finance committee are able by comparison with the sales to have a good idea whether the manager is buying beyond the requirements of stock to meet the trade. The Wholesale Society's statement should be met in full and not on account, as in a running balance it is difficult to identify the items composing it, on account of the length of time since the last settlement; and errors in such statement should be followed up in the advice book,† the invoices owing since the last statement being adequate protection against such advices being ignored. The same argument applies to "general" accounts, which should be settled by what is colloquially termed "a straight edge," and not paid on a running balance. Many societies who strictly observe this rule as to payment by cheque nevertheless make an exception in the case of butchering purchases, such as cattle bought on the market, or pigs obtained from neighbouring farmers or members. Yet here, perhaps, it may be argued to be particularly necessary. It is usual on account of the nature of these goods to treat them as cash purchases or double transactions, the receipt being filed with the invoice, if not made upon the invoice itself. Yet these vouchers in themselves have been found not to be entirely reliable. We have known of cases where forgery has been cleverly committed, and unknown liabilities have existed for a time which were supposed to have been met. The best plan with the purchase of cattle on the market is to arrange with a neighbouring banker to pay, for a small commission, the seller on behalf of the society on the production of a proper authority of the sale, and even this

* See page 188. † See page 203.

is not always paid in cash to the seller but placed to his account at a bank with which he deals, rather than run the risk of robbery on his return from the market. The market branch of the bank then sends an account to the society which pays the same plus commission by cheque, after comparing the items with the goods receiving book. The payment by crossed cheque for pigs is an additional safeguard against the money getting into wrong hands, and the farmer should be compelled to take other means than that of the society to negotiate his cheque for cash. The secretary should see that the "luck money" has been properly deducted, but he has no means of ascertaining that a greater price has been charged so that the seller may return the difference to the butcher in cash, though such may easily reflect itself on the butchery margins if done to any extent, and the best check upon this is by working out the price per lb. that the bulk represents.*

Statements.

Ledgered accounts are paid according to statements, that is to say, a weekly or monthly account of the items of debits and credits showing the balance for which a remittance is asked for. The statement is checked with the ledger by the ledger office, where the discount is deducted, and, after being initialled by the ledger clerk, it is passed to the secretary. There should be a regular time fixed for the preparation and signing of cheques, generally during the day arranged for the meeting of the finance committee. It is better not to return statements on payment, but the remittance sent by post with a cover note containing the particulars of the payment in the space provided.† This note will usually be returned with the authorised receipt of the creditor attached, and notice will be taken whether it is duly stamped,‡ signed, and dated. The payments on account of goods whether by cheque or coin will be entered into the daily cash book in the column provided,§ and in

* See page 267. † See page 64. ‡ See page 444 § See page 454

WAGES TIME RECORDING.

THE KEY SYSTEM

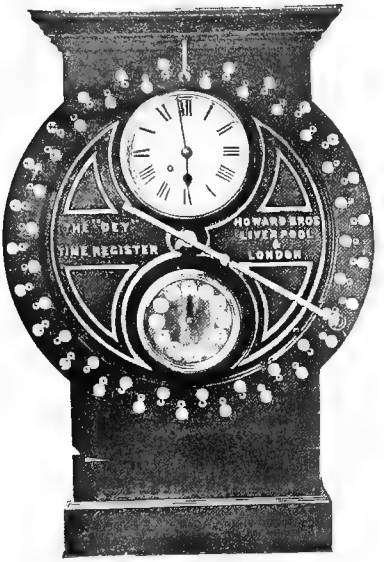

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PLATE XXVIII.

To face page 493

the case of cheques, similar entries will be made in the bank column on the debit side to indicate that they were paid by bank withdrawals. Vouchers for payment of goods ledgered should be filed upon "Shannon" files, and registered in the order of entry into the cash book.

Cash Purchases.

Payments which are made as per unledgered invoice, as in the case of butchering purchases referred to above, are usually entered into a special column of the cash book, headed "Unledgered Purchases," and a separate cash purchase book is kept by the ledger office for their analysis.† It will be seen that the column provided in the daily cash book corresponds with the total column of the cash purchases book, and this book is the weekly voucher for the cashier of the payments, the vouchers of which being invoices are kept by the ledger office on a separate file. The signature of the ledger clerk in the daily cash book completes a method which may be described as an excellent check upon payments made in this manner. The cashier will take care for his own protection that he enters a corresponding debit in the bank column for all unledgered purchases made by cheque, otherwise his cash balance will reveal a discrepancy.

Payments by Shopmen.

It will be seen later when we deal with receipts on sales account that cash purchases made by shopmen are included in the sales, the vouchers being presented in lieu of cash. These are generally produced at the end of the week, when what is often termed "cashing up" takes place, the shopman being permitted to allow for the same out of his till balance when producing his cash during the week. These payments should be entered on a specially ruled form,‡ each item bearing the signature of the person from whom the purchase was made. These are filed by the ledger office which checks the extensions and analyses them according to their depart-

† See page 323. ‡ See page 455.

mental heading, as required for the purchases adjustment account.* In the case of club withdrawals a similar list is produced by the shopman with the vouchers treated as cash, and handed to the ledger office for posting purposes after entering to credit in the column provided in the daily cash book. It is immaterial to the cashier that these leave his hands, as he has signed for the net cash received which is entered in gross and net amounts upon both the original and the duplicate of the sales sheets which he holds. The ledger office will file the vouchers for shop cash purchases and record the same in the unledgered purchases column in the manner indicated in the previous paragraph.†

Sales and Purchases of Productive Societies.

Moneys received by productive societies are generally accompanied by the statement or a cover note indicating the amount remitted, and it is generally accepted that an authorised form of receipt is a better safeguard than a signed acknowledgment upon the statement. It is unusual to enter these amounts in detail in the daily cash book, the better plan being to allot a separate cash book which is a combination of a sales cash book, and receipt-issuing book.‡ Columns in the counterfoil are assigned for the amount of the cash paid, periodical totals, the discount, and the folio, which are posted from time to time into the ledger by the ledger office, which issued the statements.§ The total column is entered every time that the amount is required for the daily cash book, and the foot total of the cash and discount columns made monthly or half-yearly to agree with the analytical abstract.|| Separate receipt books will be used for each district represented by a ledger to assist the sectional proving. Payments made by productive societies on account of purchases are as a rule ledgered without exception, and a similarly ruled cash book for payments is kept, the analysis

* See page 320. † See page 317.
‡ See page 456. § See page 432.
|| See page 330; also "Co-operative Book-keeping," page 205.

being only necessary in cases where more than one ledger is used, which it is proposed to prove separately; though in the case of purchases this is not often required.

Sales of Distributive Societies.

It is unnecessary to divide our attention between ready-money and credit trading in dealing with the cash office, as the records are kept by the check office; nor (in the case of credit trading), whether the ledger is kept by the shop or the check office. In all of these cases the shopman should produce an allocatur of the cash he has handed over, in his own handwriting and initialled by him, thus giving the cashier a proof that he has debited himself with the full amount received. It is usual to use one statement of cash received to represent a week,* issued from a duplicate book. Spaces are provided for the amounts handed over to the head shopman by his assistants, who enter the same in duplicate, adding their initials to the entries thus made. The head shopman initials in each case as having verified the amount handed over, and after entering his own cash he totals the same and hands to the cashier or banks the amount. Each shopman retains the amount allowed for change in his drawer, except that in the case of the shop manager he can deduct from such till cash to the value represented by his cash purchases sheet, which he only produces as cash at the end of the week. Halfpennies will not be entered but reserved in the drawer to make up the even pence in the next amount handed over, a course which is especially useful when the cash is banked, as well as making petty errors in additions less liable to take place. The amount allowed for change should be fixed by minute of the committee and be paid by the secretary in the first instance (a receipt being taken from the shopman), and any change in such amount duly recorded by entry in the daily cash book, and not by adjustment through sales. For this reason it might be urged to be a better policy to deal with cash in

* See page 457; also "Co-operative Book-keeping," page 65.

tills as a balance of the cash account, rather than through the sales adjustment account. Whether the cash during the week is banked or not, it is advisable for the cashier or his assistants to attend from time to time at the shops to take the moneys and count the till cash. Receipts on account of sales deposits should be separately listed and entered in total in a separate item on the sales sheet. The account at the foot of the sales sheet gives the cash in tills to begin and to end, the sales, and the debits and credits on account of sales deposits and cash purchases, and the acknowledgment of the amounts handed over. Some societies allow a shopman to pay even amounts on account during the week, but it must be described as a most undesirable plan. If an accurate account must be made, it may be reasonably argued that the exact amount should be handed over. This will be found to be particularly emphasised, not only in the method adopted in the "Fielding-Wood" check system,* but in every system which requires a detailed statement of cash received, such as in the cash sheets required in credit giving societies when the ledgers are posted in the office; and even in the loose paper check systems, such as the "Eccles" and "Climax" systems, there is no value in a weekly statement of shorts and overs when each day's results are not embodied,† and therefore no knowledge is obtained even at the end of the week on what day the discrepancy occurred, or to what extent the shorts of one day are cancelled by the overs of another. It is surely as necessary for a shopman to prove his cash balance daily as it is for the cashier, whose chances of error are much more remote; for though a greater amount of cash passes through his hands, the records give more reasonable means for discovering the error, and the bank account provides a hedge between the debit and credit sides of the cash book, the value of which to the cashier must not be overlooked. Where credit is given and the ledgers are kept by the check office,‡ the detailed cash sheet§ will be handed to such check office for the purpose of posting to the

* See page 376. † See page 368. ‡ See page 389 § See page 401.

members' ledgers, and their totals should agree with the amount stated as handed over on the sales sheets. The daily amounts are signed for by the cashier on the sheets, and if received by him, banked accordingly. A separate column is provided in the daily cash book for their entry, and the weekly total should agree with the weekly analysis in the summary cash book.* The receipts on account of sales deposits will be similarly entered in the column provided, the detailed statement being posted to the sales deposit ledger† by the ledger office, the weekly column of which will be added to prove therewith at the end of the week.

Sundry Receipts Book.

Societies, unlike joint-stock companies, have many other channels along which cash accumulates, and which, unless a proper system obtains, may lead to petty fraud. A separate column headed "sundry receipts" should be provided in the daily cash book, an analysis of the entries being made in a sundry receipts book.‡ This is now being adopted largely by societies of any note, and represents on the receipts side of the cash account the record which the petty cash book supplies with regard to sundry payments, at the same time giving a means of comparison which is a leading check upon the proper accounting of these various classes of cash by the responsible officials. Where cash is paid the voucher is accepted to permit credit being taken for its amount in reduction of the cash balance. In the case of receipts where there is no other means of verification, as in the case of shares, loans, sales, &c., there is nothing to prevent its being omitted to be accounted for at all. All money received of this nature should be acknowledged from a sundry receipts book, not with a counterfoil, which allows of discrepancy in entry, but from a manifold receipt book. The cashier should not be the *first* person to handle such receipts, or, if he does so, to acknowledge them direct (thus preventing the omission

* See page 443; also "Co-operative Book-keeping," page 238.
† See page 395. ‡ See page 458.

of the item altogether), and the person who receives them should enter the same into the sundry receipts book, affixing his initials to the item, thus attaching his personal responsibility to the entry of the transaction.

Sales of Hides, Skins, and Fat.

The chief source of sundry receipts is for the sale of hides, skins, and fat. For hides and skins a proper statement* is given by the purchaser, showing the number accepted, and the carriage, charges, and commission deducted. This statement should be checked in the goods office, who will check the prices and prove the number with the items in the butchering cost account.† If the sale is to one of the Wholesale Societies, it is a better plan for the same to be received by cheque, rather than credited to the trade account, as there is a liability of the amount for the last week being omitted from the debit side of the cash book, though not taken into stock or credited prior to the last payment. The sale of fat and other offals should be entered by the butcher in the sundry receipts book and initialled by him, the secretary comparing the receipts from week to week. The sale of hides, skins, fat, and offals is an important factor in the profit productivity of the butchering department, and many a drop in dividend is simply due to the state of the leather market.‡ When the leather trade is brisk buyers of hides and skins will not treat the flaying with hypercriticism, and will regard as first-class skins, at an enhanced value, what they would denounce as a lower grade when the leather market is depressed and the prices correspondingly fall through the lesser demand.§ Thus the butchering department is hit in both ways. A good butcher's assistant can often save his wages in his careful and expert flaying of beasts and sheep, and this, along with the good buying of a butcher with a keen eye and unerring judgment, have

* See page 452. † See page 286. They should also be found to correspond with the offal note (see page 208). ‡ See page 269.

§ In some cases, especially in Scotland, they are classed by independent persons, which guarantees fair treatment to both parties.

often saved a butchering department from meeting the recriminations of a critical members' meeting.

Interest and Dividend on Investments.

Remittances on investment account are generally accompanied by a statement of purchases and interest,* which should be checked and carefully preserved. As transactions in shares and loans with productive societies are infrequent, the pass books are so seldom scrutinised that the productive societies themselves are adopting the commendable plan of publishing a detailed list of balances upon their balance sheets. It might be suggested, however, that the secretary who attaches any importance to his office will be sensible to the fact that an error overlooked until after the issue of a balance sheet of his own society is not very creditable, even though excusable when the particular circumstances are taken into account. We wonder, taking an example void of offence, whether secretaries often verify the Wholesale dividend with their own ledger account; and if not, it might be asked on what ground can they, on the other hand, expect the members to add up their checks, and not rely upon the office record, as in the "Climax" system? The investment account,† when the accrued interest is calculated in days to the date of the balance sheet,‡ is a ready collateral check upon interest allowed, and reveals any material discrepancy. Where dividend is not paid, but credited to the trade account of the society in the books of the productive society, the dividend statement should be filed, and the amount entered as cash received on investments account, and paid on trade account as *per contra*, in the "ledgered" column of the daily cash book; the credit note being treated as a voucher, and posted accordingly.§ This plan prevents a series of transfers in the summary cash book at the date of balancing.||

* See page 113.
† See page 574; also "Co-operative Book-keeping," page 293.
‡ See page 545.
§ See page 91, footnote. || See page 444.

Commission Sales.

Societies are so anxious to provide their members with all their requirements that, in those cases where it is not feasible or desirable to establish shops for the sale of certain classes of goods, they are often able to make arrangements with private traders to supply the same on commission terms. Commission is usually paid on cash received for sales, and not for the goods delivered to the members if sold on credit; and the commission is generally based upon the rate of dividend which the society allows upon the general purchases. An appropriate plan for dealing with this class of sales, where a loose check system is used, is to insist upon the members producing a receipted bill to the society's shop manager, for which a check for the amount is given in exchange. The bill is produced as so much cash handed over, and treated in the manner of shopmen's cash purchases explained above. The disadvantage of this scheme lies in the fact that it inflates the sales of the department to which the sales are credited, reducing the rate of leakage, and consequently prejudices the comparison, if the commission sales are to any extent; yet it is perhaps the best method among many in use, taking the whole of the circumstances into consideration. The bills are listed by the ledger office, and statements sent to the private tradesmen from time to time, the commission received thereon being entered in the sundry receipts book, and credited in a separate item in the profit and loss account.

The Educational Department and Rents.

In "Co-operative Book-keeping."* it has been stated that receipts and payments on educational account are either made by the secretary, or by a separate department, with its committee, secretary, and treasurer. In the former case the receipts are entered in the column provided in the sundry receipts book, and the payments entered in the "sundry" column of the daily cash book, a separate book

* See page 312.

being kept for its analysis.* With regard to receipts, they should be carefully described, and where it is for the sale of tickets or gate money the person who received the same should make the entry, adding his initials. Vouchers will have been received for all payments, which should be separately filed, a "Shannon" file being used.† If the receipts and payments are controlled by a separate committee and series of officials, they will not appear in the cash office at all, but be recorded in a similar cash book, analysed debit and credit, the book being made up and the cash balance shown and verified at regular periods during the balancing period. It is not customary to bring a ledger into requisition, as the personal accounts are usually discarded; for the accounts are treated on a cash basis, and accounts owing to begin or to end (if any) added and deducted respectively from the analytical columns they refer to, for the purpose of the revenue account.‡ The grant made to the educational department from the general profits is generally drawn as required, the balance remaining as a fund§ in the liabilities side of the society's balance sheet; for the corresponding amount is represented upon the *contra* side in the fact that the assets are greater to the extent of the educational fund undrawn. A hint might here be given as to the unsatisfactory and careless manner in which educational accounts are often kept by men whose honesty is greater than their ability. It is, perhaps, the safest plan, as well as excellent from a training point of view, to place the educational cash book in the hands of a youth (under due supervision), from whom greater and more responsible work in the cashier's department is ultimately expected. With regard to rents, these are generally kept in an analytical ledger.‖ The rents are collected on a certain day of the week by a clerk from the cash office, who accounts for the cash to the cashier, making the entry in the sundry receipts book, and giving

* See page 459. † See page 16.
‡ See "Co-operative Book-keeping," page 313.
§ *Ibid.*, pages 179 and 270. ‖ *Ibid.*, page 231.

the details to the secretary for entry into the rent book. As the tenants' books cannot conveniently be obtained for examination with the ledger, the division of responsibility, and the comparison which the analysis gives, acts as a check upon all receipts on rent account being duly accounted for, and arrears properly followed up.

The Petty Cashier.

To obviate the entry of numerous payments of a small nature in the daily cash book, a separate book, called a petty cash book,* is brought into requisition, which is kept by a responsible clerk. A standing balance is handed to him, which is produced to the cashier from time to time, and the secretary or the cashier initials the amount after examining the nature of the expenditure to date, as no vouchers are usually obtained for these payments. It should be kept upon the "imprest" system; that is to say, at the time of each balancing a cheque should be drawn for the amount required to make up the amount of the standing balance, thus reduced by the petty payments. This cheque is entered in the daily cash book, to debit in the bank column and to credit in the sundry column. The total cheques upon petty cash account during the balancing period will be then found to correspond with the total of the analysis in the petty cash book, and are added to these items in the summary cash book *per contra*,† thus cancelling the line in this book relating to petty cash payments. The petty cashier should never be allowed to receive moneys except in the case stated above. With regard to postages, an even amount should be expended from time to time, and entered to the debit of the postage book.‡

Cash Discrepancies.

Where sales are conducted on credit terms, and the members' ledgers are kept in the office, the shorts and overs between the cash handed over and the shop cash sheets are

* See page 460. † See page 444. ‡ See page 50

debited and credited to sales; for as the ledgers are seldom proved exactly, the adjustment account for the balance sheet has to be based upon the cash accounted for and the balances owing.* Where the shop ledger is used, the same method obtains, because as there is no sales day book, the total sales can only be obtained by an adjustment account which absorbs these discrepancies. Equally it may be said it applies to ready-money trading, as the cash handed over is the debit to the daily cash book, and the credit to the trade account, shorts and overs thus being thrown into the leakage account. In all these cases the discrepancy is dealt with, at once, technically speaking, and is not carried forward as a suspense, and the presence of a suspense account in the shop itself is good ground for dismissal. A secret suspense account should never be allowed in the office, but at each daily balance the difference between the cash book and cash balance should be shown as a debit or credit, and not adjusted through the stamp drawer, or by carrying forward the book balance. These should be posted to separate lines in the summary cash book, and carried to a cash suspense account. This has the advantage of putting errors right when afterwards the omitted entry which caused the discrepancy reveals itself, as well as being the sign of straightforward accounting.

The Daily Cash Book and Summary Cash Book.

It will be seen that the daily cash book focusses each day all the subsidiary cash books, and allows of a daily balance, such as is obtained at a bank, and the smart cashier will seldom leave the office until he has completed this task to his satisfaction. The general dissecting columns will be found to correspond with the subsidiary cash books, from which the summary cash book is entered for the purposes of the cash account in the published balance sheet, and is required for the purposes of the annual return.† The

* See "Co-operative Book-keeping," page 206.
† See Chapter XXXII.

daily cash book obviates the use of the payments book,* for where expenses are ledgered they are analysed in the invoice book, their total is deducted from ledgered payments† and added to the various items of analysis by transfer in the summary cash book.‡ The value of the summary cash book lies in the fact that the cross totals give the items which prove the connection between the suspended balances§ or statement of liabilities and assets in the previous balance sheet, with the present balance sheet through the subsidiary accounts. We are, however, not concerned here with the building up of the balance sheet, the same having been exhaustively treated in "Co-operative Book-keeping"; nevertheless, we venture to give a more elaborate form of balance sheet as a suggestion for uniformity and in keeping with the routine administration and treatment of transactions recorded in this work.||

Receipt Stamps.

It would be a grave omission in a book for secretaries if the question of receipt stamps were not dealt with. Ignorance of the law cannot be pleaded in extenuation of its breach, or as a reason for the exemption, mitigation, or diminution of the penalty. Yet we fear that sometimes ignorance is but another name for the determination to run a risk rather than prejudice a large and excessive dividend. This may appear a bold statement, but has it not been proved, not only in prosecutions by the Inland Revenue, but in such other cases as the amateur drafting of legal documents such as mortgages? The Stamp Act, 1891, defines a "receipt" as follows:—"Any note, memorandum, or writing whereby money amounting to £2 or upwards . . . . . is acknowledged or expressed to have been received or deposited or paid, or whereby any debt or demand of £2 or upwards is acknowledged to have been settled, satisfied, or discharged, or which *signifies or imports* any such acknowledgment, and

* See "Co-operative Book-keeping," page 237. † See page 432.
‡ Columns being provided, as on page 350.
§ See "Co-operative Book-keeping," page 102. || See page 569.

whether the same *is or is not signed* with the name of any person." Thus a mere exchange of goods for cash does not require a receipt stamp,* unless the purchaser demands† *and is given* a receipt, in which case a penny stamp must be affixed by the receiver of the cash, if it amounts to £2 or upwards. If a paper or metal check is given, whether initialled or not, it is simply a record of purchases for the purpose of dividing profits and the verification of dividend, and not a receipt unless the printed matter *signifies or imports* that it is a receipt for the money; thus the purchase book on the ready-money system does not require a receipt stamp if the wording simply signifies the scheduling of purchases for dividend, but if the purchase book (such as in the credit system) has columns for cash received as well as goods purchased a receipt stamp must be affixed to amounts of cash of £2 or upwards. Employés of societies in taking over cash from one department to another, in the conduct of business, are not required to give each other stamped receipts. It is simply a matter of account and book-keeping between the different departments. An entry of acknowledgment of transfer of cash from one hand to another is only part of the business machinery of the society, and does not require to be dealt with as a receipt. The handing of cash from one employé to another is only another form of handling any goods or property belonging to the society by the servants whom it employs, and is not a business transaction for which a receipt is required, for the money is not the consideration of a contract between the society and such employé. Such contracts requiring a receipt stamp, however, whether with employés or members, are cash received or paid for sales, dividend and interest, shares, loans and deposits, mortgage instalments, and wages, if an entry of

* A receipt stamp is given by affixing a penny postage stamp, or two halfpenny stamps. No special form of receipt stamp is now issued.

† In ready-money transactions a receipt cannot be legally demanded. The reason that no receipt is demanded is that no debt ever arose, the transaction is merely an exchange of goods for money. (See "Co-operative Book-keeping," page 42.)

acknowledgment is made, and the amount is for £2 or upwards. Where dividend and interest is paid without a receipt or acknowledgment being given by the receiver, such as the handing over of a dividend warrant or similar authority, or where wages are paid without a receipt being given, no receipt stamp is necessary, but if a receipt is demanded by the society, a stamped receipt must be given. The obligation to attach the stamp rests upon the receiver, but not the payer, though the payer has no remedy in a court of law if he is sued for the payment already settled and acknowledged by an unstamped receipt, which cannot be produced as evidence unless the penalty has been discharged. A banker, however, is permitted by law to give an unstamped receipt, as in the case of a receipt for bank deposits; also hospitals and other charitable and benevolent institutions for subscriptions received.*

Legal Tender.

The Coinage Act, 1870, carefully defines the manner in which the price, or the consideration to a contract for sale of goods, should be paid and discharged. Tender to be legal may be in gold coins issued by the Mint, up to any amount; silver coins not over forty shillings; or copper coins not over one shilling. Bank of England notes are legal tender in England, but not in Ireland or Scotland, though they may circulate as ordinary promissory notes. The effect of legal tender is to compel the creditor to accept the same in settlement of his debt. If the creditor refuses to accept, the contract is nevertheless discharged, and in an action at law the proof of legal tender is sufficient defence. The tender must be of the exact amount, for the creditor is not bound to accept a part of the price on account, nor on the other hand is he bound to give change, but he may waive his rights, either expressly or impliedly. In the absence of special agreement, bills, notes, cheques, and other negotiable instruments are not legal tender, except with

* See "Payment of Dividend," page 125; also "Payment of Wages," page 347.

the consent of the creditor, and if they are dishonoured the original liability is revived. Money may be paid to an employé sitting in an office, apparently having charge of the business,* or to a solicitor who holds the deeds duly executed, in which the consideration money is set forth. An unqualified receipt given for money might be treated as in settlement of an account for which money has been tendered as in full settlement, so that the words "on account" should always be added where such settlement is not intended to be acknowledged, such as in cases where disputes as to credit notes and deductions have arisen.

Appropriation of Payments.

Where more than one debt is owing, whether the account is a casual one, or a running trade account, the debtor has the right to appropriate his payment to the debts he elects to pay. This may be expressly or impliedly, such as in the latter case where the amount he pays coincides in amount with one of the debts he owes. The only remedy the creditor has in either case is to refuse to accept the payment if he can do so on the grounds referred to in the last paragraph. If the debtor does not so elect, the creditor has the right of appropriation, and may revoke and alter such appropriation at any time up to the moment of settlement, unless he has previously disclosed to the debtor his original appropriation by statement or otherwise. When a running account exists between debtor and creditor the presumption is that the payments are appropriated in the order of date, but such presumption may be upset by evidence. The effect of this principle is often seen where credit-trading is carried on, and the member pays the more recent bills, leaving old bills, if allowed by the creditor, to eventually become statute-barred.† The society's remedy is to watch the share account so as to give full opportunity to exercise the lien on share capital, and refuse to continue the running credit account. Where the purchase book is used in the

* Barrett *v.* Deare. † See page 148.

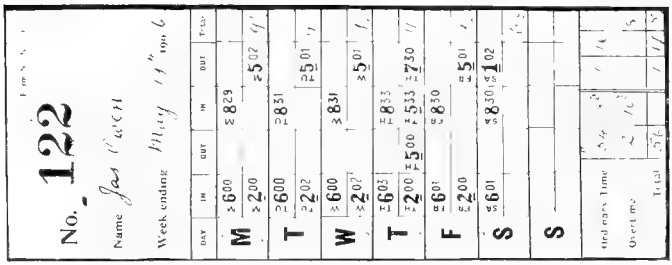
credit form, giving goods, cash and balance, then the debtor has elected by implication to have appropriated his payments to the debts stated in the order of entry in his book. If the purchase book is used simply to record the cash paid for dividend purposes, or no purchase book is used, but the items recorded simply in a shop-ledger, the debtor has elected to pay those for which a detailed bill is produced to be receipted by the shopman. Here may be inferred another strong argument in favour of the office account, and the purchase book, where credit is given at all.

Court Matters.

It is with some amount of diffidence that we approach the question of the resources supplied by the law of the realm for the recovery of debts owing by members and others to co-operative societies. In the case of productive societies, action at law with customers who are co-operative societies, whether members or not, need never arise, partly on account of the fact that there is usually adequate transferable share capital to cover the debt on which the lien given by the Act (section 23) and Rule 51 gives the required satisfaction, and partly because actions at law between co-operative societies are hardly to be commended, not only on account of the principles of co-operation itself, but on account of the baneful effect such suits would exercise upon an unsympathetic public opinion. No such power of redress is obtainable, however, in cases of customers who are not societies. In the case of distributive societies, the action is seldom against any but the members themselves, and in those cases are for amounts so small that the costs of an action might be such that it may simply result in "throwing good money after bad." If the debt is considerable, then the chances of obtaining the same are the more remote, and the mere fact that an excessive amount of credit has been given might excite the blame or even the derision of a County Court Judge (or a jury in the High Court) of the society which allowed it. It has been generally accepted that the

WAGES TIME RECORDING.

THE CARD SYSTEM



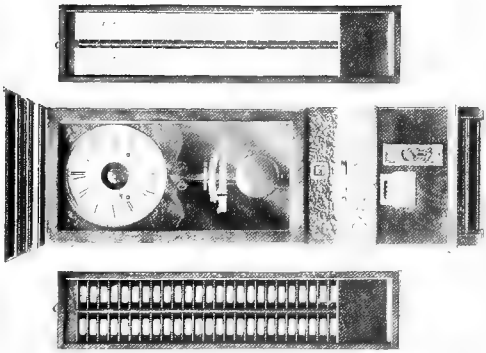


PLATE XXIX

lien on share capital given by the Act should only be exercised when other resources are exhausted, yet the mere fact that such remedy exists has often resulted in the plaintiff society being non-suited. Yet the secretary should have some slight knowledge of Court proceedings in order to fulfil duties sometimes placed upon him by the committee, and which may be compelled by the members' meeting under Rule —. Such proceedings are not always for debts contracted for sales of goods, but may arise from arrears owing on shares,* or even in dealing with cases of defaulting employés when the society has to sue upon a guarantee policy, or for money not accounted for when embezzlement or fraud cannot be proved. The simple remedy in cases of fraud would be to place the matter in the hands of the police. If the debt amounts to less than £100, two courses are open to the society for obtaining redress—to proceed by summons in the County Court or by writ in the High Court. If the amount it is sought to recover is less than £20, the County Court only is available; if £100 or over, the proceedings must be commenced in the High Court. In County Court cases one of two methods may be used—the ordinary summons, or the default summons, and the latter is undoubtedly the best method. By this means a defendant is called upon to enter an appearance within eight days, otherwise the plaintiff is at liberty to sign judgment, and proceed to enforce it. To issue such a summons, one of the employés, who is in full knowledge of the facts, should attend at the Court and fill up and swear an affidavit (the form being supplied by the Court) that the money was owing to the society; that the cause of action arose within the Court's jurisdiction; and that the defendant was supplied with the goods. Two *detailed* statements of the claim must be produced if the sum claimed exceeds £2, and a form† filled up on which the full names, addresses, and occupations of the plaintiff and defendant must be given, the total amount of the claim, and a statement what the claim is for,

* See page 71. † Called a "præcipe."

such as "goods sold and delivered." To enter an appearance in the County Court in answer to a summons is simply to sign and send to the Registrar of the Court a notice at the foot of his summons to the effect that it is intended to defend the action; if he omits to do so within eight days of the service of the summons by the Court, judgment is entered against him. If appearance is entered, then the Judge only can hear the case; if not, the Registrar does so. If the action is taken in the High Court, a writ must be served instead of a summons, through a solicitor, and the procedure is of a more elaborate character, of which the solicitor, being fully acquainted, should be left to deal, for "a man who acts as his own lawyer has a fool for his client," according to a well-known maxim. A writ or summons must be served upon the debtor personally, though, unfortunately, he generally keeps out of the way. Process, however, may be served upon a registered society or company by leaving the same at the registered office. Though the costs are recoverable from the debtor, yet if the debtor is a "man of straw" it may be money thrown away, and often means a longer period of payment. The fees payable are heavy, being, upon a summons, 1s. per £1 or part of £1 of the debt, together with 2s. for the affidavit and 1s. for the service. Notice of the service of the summons will be given to the society by the Court, and if appearance is not entered within the prescribed time, the plaintiff should attend the offices of the Court and sign judgment. The fee for this is 1s. for every £1 or part of £1 of the debt. Where a writ is issued, it is served by the solicitor or his clerk, and the solicitor's charges are added to the costs, which the plaintiff is liable to pay in the absence of recovery from the debtor, and is a first charge upon the money received. Judgment may be taken either by execution (which is generally known as "putting the bailiffs in"), the fee for which is 1s. 6d. in the £ up to £10, and 1s. in the £ after the first £10 of debt and costs; or by "judgment summons," which is a summons to the defendant to appear and prove his means, on the

hearing of which an order for payment by instalments will probably be made. This summons will not be costly, probably a few shillings, but it is not satisfactory unless the enforcing of the judgment is impossible in the case. It is thus seen that the better plan is to write off a debt, unless the defendant is a man of means, for the debtor who can pay will generally pay when a summons is issued or a lawyer's letter served; but if he cannot pay, a long period of instalments may not be worth the trouble and expense of the costs and the account keeping. Where the debt is £50 or over the judgment is an act of bankruptcy, and the other creditors may step in and file a petition in bankruptcy, and the plaintiff can then only wait to receive his proportion of the assets *pro rata* upon his debt from the Official Receiver or Trustee in Bankruptcy. A Judge of the County Court may commit a debtor to prison if he has the means and refuses to pay, but he seldom avails himself of this power; in fact, the usual course is to treat the plaintiff as the culprit rather than the debtor, as will be acknowledged by any secretaries who have had experience in County Court work. It is, therefore, not inappropriate here to suggest that the best method of recovering debts is to keep credit within such limits as are in accord with the means and circumstances of the debtor, if not by abolishing credit trading altogether.*

* See page 365.

APPENDIX TO CHAPTER XXIV.

CO-OPERATIVE WHOLESALE SOCIETY LIMITED.

ELM STREET, WATER STREET, MANCHESTER.

HIDE AND SKIN DEPARTMENT.

Telephone No. 5180.
Telegraphic Address:
"Skins, Manchester."

.....190

SOLD for.....Co-operative Society Ltd.

.....

SKINS.	FAT.	HIDES. 1st.	HIDES. 2nd.	At	£	s.	d.
Less Carriage							
Less Commission and Charges							

SHARE CONTRIBUTION (OR WITHDRAWAL) SHEET.

Cashier No..... *Date*.....19....

Authority Number.	Member's Share Number.	Cash.			Initial of Cashier.	Remarks.
		£	s.	d.		

NOTE.—Separate sheets should be entered for contributions and withdrawals (see page 120).

DR. Left-hand Page. DAILY

Date.	Reference.	Sales.	Sundry Receipts.	Share Contributions.	Sales Deposits.	Cheque No.	Bank Withdrawals.	Weekly Balance forward.	Total.

CASH BOOK. Right-hand Page. CR.

Date.	Receipt No.	Discount.	Ledgered.	Unledgered.*	Commission Sales.	Share Withdrawals.	Sales Deposits Withdrawn.	Petty cash and Education a/c.	Bank Deposits.	Total.	Daily Balance.

* Where expenses are not ledgered, another column should be provided (see page 515).

SHOP MANAGER'S CASH PURCHASES SLIP.

Department or Shop..... *Week ended*.....19....

Date.	Description.	Amount.	Signature of Receiver, and Stamp when required.

Signature of Shop Manager.....

SALES RECEIPTS BOOK FOR PRODUCTIVE SOCIETIES.

	Date.	Discounts.	Cash.	Daily Total.	Ledg'r. Folio.	Receipt Form.
A 246						A 246
A 247						A 247
A 248						A 248
A 249						A 249
A 250						A 250
	Fwd..					

SHOP MANAGER'S SALES SHEETS (In Duplicate). X56.

Department or Shop SALES ACCOUNT. Week ended 19

Shopman's Letter or Number.	Thursday.*	Friday.	Saturday.	Monday.	Tuesday.	Wednesday.	Total.
Total							
Sh'p Man'rs Init's							

* These are required for the test of daily shorts and overs (see page 436).

CASH ACCOUNT.

	Receipts.	Description of Payment in words.	Payments.	Sig. of Cash'r.
Sales—Thursday				
Friday				
Saturday				
Monday				
Tuesday				
Wednesday				
TOTAL SALES.....		TOTAL CASH HANDED OVER		
Sales Deposits as per List		Vouchers as per List—		
Cash in Tills Last Week		Cash Purchases		
		Sales Deposits Withdrawn....		
		Cash in Tills to End		
TOTAL		TOTAL		

Signature of Shop Manager Signature of Cashier

SUNDRY RECEIPTS BOOK.

Date.	Hides, Skins, and Offals.	Commission from Tradesmen.	Investments Account.	Education Account.	Rules and Pass Books.	Entrance Fees.	Unclassified.	Each Consecutive Item	Initials of Receiver.

EDUCATION ACCOUNT.

CR.

Date.	Voucher No.	Payment.	Education Classes.	Books for Library.	Newspapers & Periodicals.	Social Meetings.	Field Day and Gala.	Refreshments.	Subscriptions.	Prizes.	Salaries.	Printing and Stationery.	Postages.	Unclassified.

DR.

Date.	Description.	Initials of Receiver.	Receipt.	On Account of Grant.	Class Fees.	Library Fees.	Sale of Papers.	Social Meetings.	Field Day and Gala.	Refreshments	Billiards.	Unclassified

PETTY CASH BOOK.

RECEIPTS.			PAYMENTS.								
Date.	Cheque No.	Amount.	Date.	Description.	Payment.	Postages.	Telegrams.	Stationery.	Carriage.	Repairs.	Incidental.

ACKNOWLEDGMENT OF CASH RECEIVED ON SALES ACCOUNT.

THE PLAYFAIR PRODUCTIVE SOCIETY LIMITED.

1, MARKET STREET,
PLAYFAIR,
Date.....

DEAR SIR,

We have to acknowledge your cheque value £ in settlement of your account to the ..... inst., ultimo, for which we have pleasure in handing you formal receipt.

Yours faithfully,

C. WELDON,

Secretary.

Received with thanks from the sum of pounds, shillings, and pence, as per statement below.

	£	s.	d.
Cheque			
Cash			
Discounts ..			
Credits			
Contra			
Goods			

Pro. the Society:

1d. Stamp if £2 or upwards.

CHAPTER XXV.

Fixed Assets—Dealings with Land and Property.

Amateur Lawyers and Architects.

It is with some diffidence that one approaches the subject of this chapter, on the ground that there is an inclination on the part of societies to take upon themselves duties which can only be satisfactorily carried out by professional men, whose specialised training gives a large measure of guarantee that from acts which seemed to be proper when they were done there will not in the future arise legal issues and unexpected contingencies which were undreamt of at the time when the original circumstances were considered; and this warning applies to nothing of more importance than the dealings with land and buildings. A lawyer's or an architect's bill seems a heavy tax when hard earned capital is to be invested in the proposed property, and men unaccustomed to the outlay of large sums of money do not realise the necessity of obtaining a proper and undisputed title, or being in strict conformity to local byelaws and the codified experience of expert men relating to the provision of sanitary arrangements, the planning of property, or the dynamic laws governing structure. Nevertheless, having invited the secretary to keep in mind these considerations, and to realise the limit beyond which in arrangements with property he should not encourage the committee to advance, a brief general knowledge concerning these subjects will be valuable, giving him an intelligent grasp of the questions affecting the properties of the society which it is his duty to record.

What is Fixed Stock?

Fixed stock may be defined as the class of investment whose capacity for earning interest upon the capital involved

is in its use *by the owner* for a particular purpose. It therefore includes land, buildings, fixtures, fittings, machinery, rolling stock, and horses. The term "fixed" is used in the sense that the capital has been fastened in the assets which can only be unlocked by depreciation, and their values as assets are a book value only, except on realisation, when their nature and use as fixed assets ceases. Fixed stock is necessary to every concern which carries on a business. Place, accommodation, and conveniences* are required for the trading operations. So long as their use for the purpose required extends, so long do they contribute to the revenue in return for the interest on the capital outlay. To the extent that they suffer wear and tear, decay, and obsolescence,† their capacity in earning revenue is prejudiced; their capacity is limited according to their nature, size, and arrangement, and to this extent they are prejudiced by expansion of the business; and accordingly as their power to be adapted to new external conditions lacks elasticity, the nearer will be the natural termination of their use. It will be seen, therefore, that all these conditions hasten the time when demolition is necessary and reinstatement unavoidable, when the capital locked up in them will have perished, unless redeemed by depreciation.‡

Power to Buy and Sell Land.

Dealing with the subject of land, or the place where business is proposed to be carried on, it is worthy of note how the Acts affecting co-operative societies have given them full powers for dealings of any description with this class of property,§ if the rules do not direct otherwise; that is to say, to hold land of any tenure, and to secure moneys borrowed on the mortgage of the same, and to give a good title as owner in all cases. Property in land may be either real or personal. Realty includes an estate in fee simple, which means absolute ownership with right to will; or

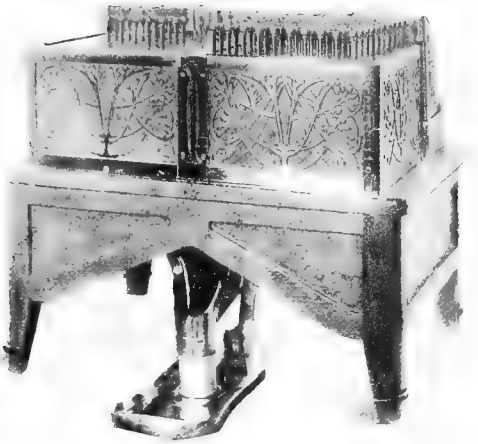
* See "Co-operative Book-keeping," page 79.
† See page 486. ‡ See page 483. § Section 4.

entailed, that is, secured to the heirs of the owner for ever. Both these are included in the term "hereditaments," that is to say, estates and other interests in land which, upon the death of an owner intestate, descend to his heir and not to his next-of-kin. Such property is commonly termed freehold, the freeholder having power to grant leases. An estate for life, or a settlement, is also freehold. Personal property in land comprises leases or leaseholds.* In these cases the land is held by the tenant or lessee, under a landlord (lessor), who is either the freeholder or the original lessee. A lease of any length of time (such as 999 years) is personal property. Leasehold interests in land descend to the next-of-kin or devisee, according to whether the owner of the lease died intestate or left a will. The freeholder of land, on resuming possession, can claim everything above the surface, such as buildings erected thereon; so also can a lessor on re-entry after the sub-lease has expired.† The cost of a lease of land is either an annual or half-yearly rent (called a chief or ground rent) or a premium which is judged to be the present compounded value of the chief rent which would be paid annually. Sometimes in a leasehold there is a "peppercorn" rent, or a yearly or other rent of a nominal amount, reserved to acknowledge the right of the landlord. Copyholds are real property, but are distinguished therefrom by the fact that the land is held by the copyholder under the lord of the manor, his title being a copy of the rolls of the court of the manor. Each successive copyholder must be "admitted" on the court rolls, in conformity with the customs of the manor whose lands are held. Though this very ancient method of holding lands still exists, the customs relating to the court of the manor are now practically obsolete, a solicitor's clerk often having power of attorney from the lord of the manor to give the necessary admittance. If a society is entitled by conveyance or mortgage to any

* Leasehold refers to land and the property thereon held on lease. A lease is usually a tenancy agreement for a long term, though it is often used for short-term leaseholds.

† See page 556.

WAGES AND DIVIDEND PAYING MACHINE.



Showing the keyboard and the tin in position.

Showing the coins in classes.

[*Kindly sent by the British Corn Handling Co., Ltd.*

PLATE XXX

[illegible] page 18

hereditaments of copyhold or customary tenure,* the lord of the manor must, if the society so require, admit such persons (not exceeding three) as such society appoints to be trustees on its behalf, as tenants in respect of such hereditaments, or may admit the society as such tenant,† on payment of the necessary fines and fees customary and agreed upon.‡

Title to, and Covenants Running with Land and Property.

Land should never be purchased without a good title, nor bought for building purposes if only a few years of a leasehold remains to run, as the buildings would revert to the ground landlord. Only a solicitor skilled in conveyancing is competent to make certain that a good title is given to a society in every respect. Covenants running with land are assigned by operation of law, and express novation is unnecessary.§ The covenants may prejudice the use of the property, such as the reserved right to the timber, or rights attached to the land such as right of way, air, water, support, and light. The title to property is the conveyance from the owner to the society properly executed by deed,¶ also the various deeds following the title over a series of years, accompanied with an abstract of title giving particulars of the title back to the original freeholder. A leasehold can be sold either by premium or on chief or both, though the freehold rights of the land are passing in succession from one person to another.** When it is decided to purchase land, freehold or on chief, including the property erected thereon belonging to the vendor, it is usual to execute an agreement to sell on which a deposit amounting to 10 per cent of the purchase price of the purchase money is paid, the balance being payable when the deed has been executed, the usual

* A form of copyhold property varying with the custom of the manor under which it is held.

† In this connection the tenant means the holder. [*Tenere*—Latin "to hold."]

‡ Section 37. § See page 159. || Also building ties. ¶ See page 153.

** A leaseholder cannot lease land for a term extending beyond the life of the leasehold, and a freeholder, by succession, cannot lease land thus held for a period greater than twenty-one years.

plan being that the solicitors of each party meet at a time and place mutually fixed and exchange the society's cheque for the deeds (which have been previously executed), such being termed the "completion," after which the property passes,* and the purchaser can take possession.

Stamp Duties.

Every deed of conveyance of land and property, and every agreement to sell must be stamped; the latter may have an ordinary agreement stamp, *i.e.*, a sixpenny stamp duly cancelled as required by law.† The deed must be stamped within thirty days of execution by a stamp impressed by the Inland Revenue Office upon the deed, or the documents can be left at a Post office with the duties, and they will be stamped and returned within a few days. If the original agreement has been stamped in this manner by an impressed stamp, the deed itself will be stamped by the Inland Revenue with a denoting stamp. All stamps on leases‡ must be impressed, there being two exceptions which do not concern co-operative societies. The impressed stamps on a conveyancing deed are *ad valorem* duties, being sixpence for £5 or fractional part of £5, and 6d. for every additional £5 or fractional part of £5 to £300, after which it is 5s. for every £50 or fractional part of £50, the amount being based upon the consideration of the contract of conveyance, premium and chief rent being separately calculated.§

The Common Seal.

Every deed of conveyance, and every mortgage executed by the society, as well as deeds of transfer,‖ and other documents under seal,¶ must be executed under the common seal of the society. There should be two keys to the lock attached to the seal, which should be kept by two of their members authorised by resolution of the committee. The seal can only be used on the authority of a resolution of the committee duly recorded in the minute book,** and two

* See page 162. † Stamp Act, 1891, section 8. ‡ See page 559.
§ See page 464. ‖ See page 111. ¶ See page 153. ** See Chap. XXXI.

members of the committee, and the secretary must add their signature. The seal must have the society's full registered name engraven in legible characters upon it,* and it shall be in the custody of the secretary.†

Scheduling of Deeds.

The title deeds of property should always be carefully scheduled,‡ and the deeds themselves either kept in a specially provided safe, or, preferably deposited in the bank§ for safe keeping. Each deed should be numbered with a consecutive number and a letter denoting the property referred to, and kept in a gusset deed envelope with the particulars of the enclosures endorsed thereon. It should be possible for the secretary at any time to refer from the schedule of deeds to the record of the property and total expenditure to date, and the form given on page 473 might be found useful, by which at a glance the nature of the expenditure, and the repairs, &c., charged to revenue may be ascertained.|| The schedule of deeds of property to secure advances by the society upon mortgage should be similarly prepared, the use of the opposite page of the mortgage ledger being the most convenient method.

Building Contracts.

When a suitable site has been obtained, various matters must be considered before building operations are commenced. Plans should be prepared by an architect (though on small jobs these are sometimes provided by the contractor), who interprets in such plans the requirements of the building as given by the secretary for the purpose for which it is to be built, and the estimated cost is submitted. If the plans are suitable, they must now be lodged with the city, borough, or district surveyor, to be approved by the Building Committee of the Council. This is usually carried through successfully, as the expert architect is conversant with the building bye-laws of the locality in which the land

* Rule 110. † See page 41. ‡ See page 474
§ *Depositum.* See page 410 footnote. || See page 470.

is situated. A certain sum is payable for the cost of the plans if the property is not erected, and which is charged to Profit and Loss Account. In addition to preparing the plans, the architect supervises the work, especially necessary in the case of large buildings, and his remuneration is a percentage upon the gross cost of the erection. He also makes out what is termed a "bill of quantities,"* giving the particulars of material, &c., required for each department of the work, such as excavating, draining, and sewering; building and joinering; painting and plastering, plumbing, &c., and these particulars are entered upon a specification form and the work put out to tender. Each of the persons whose tender is accepted by the committee must do the work in accordance with the specification, as they are the terms of the contract.† Though the architect supervises the work, in a large undertaking it is advisable to engage a clerk of works to be present during the hours the men are at work, and make certain that the proper class and quantity of materials, according to the specification, are used. At certain times the architect makes an estimate of the value of each contractor's work to date according to the tender, and gives the society a certificate for each contractor, according to which the society pays them on account, the receipt for the money being attached to the foot of the document.‡ The estimated cost of the building is often lower than the actual cost on completion, sometimes through the fault of the contractors, and sometimes through the desire of the committee to have the plans altered in certain details to meet some new idea connected with the purpose for which the property is designed; and it is therefore necessary that plans should be carefully studied, and the architect fully consulted, before the work is commenced. This item, termed "extras," is one which the contractor has not tendered for, and through which he may attempt to recoup himself for the narrow margins on his contract; and, in addition, there is the

* Or a "quantity surveyor" is employed for this purpose.

† See page 157. ‡ See page 476.

architect's commission thereon. Various matters which will assist the revenue account charge should be considered before the plans are agreed to. Unnecessary architectural embellishments, apart from the ordinary desire to have reasonably handsome and attractive buildings, has already been mentioned in a previous page. Fire-resisting construction, long buildings with departments structurally separated from each other and from neighbouring risks, heating and lighting arrangements of such a character as to reduce the risk of fire, will tell in the society's favour when a quotation for insurance is applied for. It should be remembered that the contractors are supposed to hold the property insured until completion, as the contingency of fire is at their risk, but the secretary should make sure that this risk has been duly covered.

Mortgages.

Not only can societies buy and sell land, but they can obtain advances on the security of such land and property. A mortgage is defined as a conveyance of land or other property as security for the payment of money; the mortgagor (or borrower) being the person by whom, and the mortgagee (or lender) the person to whom, the payment is made. The difference between a conveyance and a mortgage is that the former gives immediate possession, whereas the latter remains in the hands of the mortgagor until the right of sale or foreclosure is exercised by the mortgagee.* The mortgagee has, on the other hand, the "equity of redemption," or the right to have the property reconveyed to him when the principal moneys, with interest, have been paid off by him. In a society which lends money to its members in accordance with the rules,† the reconveyance deed is unnecessary, an

* Foreclosure is the right to have absolute possession of the property mortgaged, and to extinguish the equity of redemption, such right only accruing to the mortgagee after bringing an action for foreclosure. The mortgagees have other remedies also for breach of the covenants in the deed; (*a*) to sue for payment, (*b*) exercise the power of sale, (*c*) appoint a receiver to receive the rents, (*d*) to go into possession.

† See page 549.

endorsement of receipt in full, signed by two members of the committee and countersigned by the secretary, being sufficient,* such receipt being in a form given in the third schedule of the Act. In addition to the legal mortgage described above, there is the equitable mortgage, which, though illegal in Scotland, is lawful in England and Ireland, and is an agreement† to execute a legal mortgage when called upon. Whether a mortgage is a legal or an equitable one, it must be in writing, and must be stamped,‡ and if further advances be made and endorsed upon the agreement, further stamps are necessary. The equitable mortgage is often used when a bank overdraft is arranged for, as the balance is never standing at the same amount. With regard to advances to members on mortgage, an equitable mortgage is not in itself unlawful, but must be in writing§ and be an agreement to execute a mortgage if called upon to do so.

Capital and Revenue Expenditure.

In the building of property and the laying down of machinery all initial charges prior to the assets being ready for use is capital expenditure, and should be carefully tabulated;‖ and this will include the architect's fees, paving (whether done by the council or by the society), law costs

* Section 43. † This agreement is sufficient to give the usual remedies of the mortgagee, namely, to sue for payment, or bring an action for foreclosure, but does not give legal title to the property to the mortgagee: that is to say, the power of sale, or to go into possession.

‡ The stamp required upon a legal mortgage is as follows:—

				s.	d.
When the amount secured does not exceed £10				0	3
Exceeding £10 and not exceeding £25			.....	0	8
,,	£25	,,	£50	1	3
,,	£50	,,	£100	2	6
,,	£100	,,	£150	3	9
,,	£150	,,	£200	5	0
,,	£200	,,	£250	6	3
,,	£250	,,	£300	7	6
,,	£300—for every £100 and every fractional part of £100			2	6

The stamp upon an equitable mortgage is 1/- for every £100 or fractional part of £100 of the amount secured.

§ A mere deposit of title deeds in a banking concern to secure an advance is an equitable mortgage.—*Lord Westbury* ‖ See page 473.

relating to the title to the land, and in cases where the land has been bought with premises incapable of use by the society their presence contributing to the diminution of the price, the cost of the demolitions. If the buildings thus demolished, however, were built by the society and stood at a figure in the fixed stock account, this amount and the cost of demolition should be written off from the reserve fund. From this point expenditure is of four kinds, additions, alterations, renewals, and repairs. Additions are capital expenditure and increase the intrinsic value of the property, therefore demanding an increased rental from revenue in interest and depreciation.* Alterations and renewals are sometimes capitalised, but they should certainly be charged to revenue, in the case of the former because they make the premises more adaptable for the society's purpose, but to this extent limit their capacity for general marketable use,† and in the case of renewals (a term generally applied to tools, lamps, utensils, &c.), because the initial outlay was added to fixed stock on the understanding that they would be replaced by revenue when their life was ended, the depreciation being the redemption of the standing capital outlay.‡ The greater the expenditure on fixed assets the greater are the revenue charges for its maintenance, and the tighter becomes the capital. Thus the question of interest and depreciation (to which the following chapter is devoted) is a matter worthy of the serious attention of the secretary.

The Fixed Stock Account.

An account showing the expenditure to date of all property should always be published in the society's balance sheet.§ It will be seen that not only the expenditure to date but the depreciation and net value as on the balancing date is given. In the expenditure portion of the account a column is provided for, headed "Extinguished by Depreciation." Where depreciation is fixed at regular rates the assets that have

* See page 485. † See page 487.
‡ See page 482. § See page 572.

been extinguished can easily be ascertained. For instance, if 5 per cent is the depreciation charge, then the amount expended twenty years ago has been extinguished by depreciation, and this will be entered in the column provided so as to reduce the amount on which depreciation is calculated. Each successive half year the additions to capital expenditure are added to this column and this plan is continued. In the case of horses, if this plan be adopted, no notice need be taken of the loss on deceased horses, for if the rate of 20 per cent as suggested in the next chapter be taken, the full capacity of the horses owned, the value of which is therefore extinguished, beyond five years will compensate for the contingent loss by death or disablement of those whose useful life is shorter than that period. Sales of property should be taken into the expenditure portion of the account, and if regular account is kept of each separate property as suggested above,* the loss or profit on the sales according as the property has been under or over depreciated will be written off or added to the reserve fund as the case may be.

* See page 467.

APPENDIX TO CHAPTER XXV.

FIXED STOCK LEDGER.

Description of Property.....

Schedule of Deeds folio.....

Date.	Particulars of Expenditure.	Reference.	Revenue Expendit're	Capital Expendit're	Depreciation on Original Value		Present Nominal Value.	Remarks.
					Rate.	Amount.		

SCHEDULE OF DEEDS of Property situate.....

When purchased .....
From whom purchased.....
Amount paid .....
Particulars of erections .....
.....
.....
.....
Special Covenants .....
Title, whether Freehold, Leasehold, or Copyhold .....
If Leasehold, state term and date of expiry.....

Particulars of Rent Charges thereon.	Payable Chief ..			
	Receivable ,, ..			
	Net			

Plan shown on page..... Insurance Policy No.....

Place of Deposit and Custodians.	Receipt of Custodians.

.... continued.

Year.	Month.	Day.	Parties to Deed.	Description of Deeds,

.....*Office.*

JOHN BULL,
ARCHITECT,
SUBURBIA.

To.....

.....

.....190....

INSTALMENTS BROUGHT FORWARD..	£	:	:
PRESENT INSTALMENT	£	:	:
TOTAL	£	:	:

Instalment No.....

I hereby Certify *that the sum of*.....

.....

is due to.....

of..... *on account of Contract*.....

for the.....*work done*

in the.....

.....

.....*Architect.*

Received.....190 , *the above-mentioned sum,*

..... STAMP. .....

CHAPTER XXVI.

Expenses—Interest and Depreciation.

Share and Loan Interest.

The wages earned by capital is termed interest. In a banking concern it is the fundamental source of profit,* and in a trading concern one of the chief items of expenditure; for capital is required by all concerns that carry on a business with a view to profit. In a joint-stock company the shareholders look to the available profits for the interest or dividend upon their investment, as it is illegal to pay dividend out of capital. If additional capital is required on loan or mortgage, interest payable upon such further advances is a charge against the revenue in priority to the claims of shareholders, and must be paid *whether profit is made or not*; that is to say, it is a charge upon the *capital of the shareholders*, if no profits are forthcoming. This is also true of the co-operative society, and to this extent the rules of societies may be somewhat misleading in stating that the interest on loans shall be a first charge upon the profits of all businesses carried on by the society (Rule 127). After providing loan interest, interest on shares is the primary charge upon net profits made,† but being limited as to the rate (Rule 127) it permits the balance (if any) to be paid to the members *pro rata* upon their purchases, as a dividend or deferred discount, or applied to any other purpose.‡ The interest on capital (though limited by rule to be not greater than 5 per cent per annum) in distributive societies, is now generally fixed at a rate not exceeding $4\frac{1}{6}$ per cent, or only slightly more than can be obtained for loans upon first-class security, *e.g.*, mortgages upon property. This

* See page 409. † See page 123. ‡ See page 5.

may be chiefly accounted for by the fact that as the shares are withdrawable they are realisable at par at any time, this right giving them the best of security. Consequently a considerable amount of cash must be invested at call, and a minimum of loss to the society in interest is desired. Joint-stock companies differ from co-operative societies in the fact that in the former the interest on capital, not being ascertainable until the profits are computed and the dividend is declared, is not taken as a charge against expenses; yet, on the consideration of the relative merits of their foremen or works managers, interest at an ordinary market rate is usually taken by them into account. In distributive societies as well as those productive (as the rate of interest is constant, being fixed by ordinary or special rule, or the members' meeting*) it is usual to take share interest as an expenses charge in order that the published detailed trade account will then show a more equitable comparison of the departmental results. The mere fact that each department has the use of premises, fittings, and machinery, which, if the society were not the owners, would bear an expense charge in the form of rent, is sufficient to show that not only this item of expenditure, but also depreciation is of a rental nature, that is to say they are charges for the use of the accommodation and conveniences necessary to the trade or manufacture.† If the money were borrowed on loan, the interest thereon would appear as an expense, as previously explained, which the department would in the ordinary course have to bear, and the custom of charging interest has a moral effect upon the employé in charge of the shop or department, and also the manager himself, by keeping within reasonable limits the capital employed in the fixtures and the trading stocks.

The Effect of Interest Charges upon Revenue.

Whatever the amount of capital contributed by the

* See Chapter XXXI.

† Consequently interest and depreciation are matters that are interdependent, and should be treated together.

share or loan holders, the trading department of a society is only affected by the interest payable upon the capital it uses. All interest payable is generally charged to the expenses account, and it has been the custom to put to the credit of this account the income received from the investment of surplus capital. This is now being acknowledged as incorrect in principle, and inexpedient in practice; wrong in principle because the trading account has to bear financial burdens for which it is not accountable to the extent that the income on such investments is in diminution of the interest payable upon the capital expended thereon; and inexpedient in that it leads to the leaving underneath the records, and not denoting upon their face the amount of this deficit and the circumstances under which it has arisen. The investments revenue account examined later,* gives a control upon the surplus capital the value of which will hardly be gainsaid, but has not as yet been sufficiently realised. The credit to expenses account will therefore be the interest chargeable upon the investments at the average rate at which the society has to bear a charge, and also where cottage property is concerned the amount of service for letting, collecting, and recording rents, and any other items which are charged in gross to the expenses account, and not debited to the investments revenue account directly or by transfer through the expenses adjustment account.† The provision for depreciation, by whatever method or mode of calculation applied, and the appropriation of profits to funds, in whatever form, have the effect of redeeming capital fastened up in fixed assets, the return of which is not in interest, but in the use and capacity of earning trading profit, and by such redemption capital is released (without prejudicing the profit-making capacity of the asset) which is capable of earning interest as a set-off to the amount payable to the members thereon. To this extent there is a greater credit to the expenses account for the use of the investment of surplus capital, or for bank interest, which

*See pages 551 and 576. †See "Co-operative Book-keeping," page 280.

confers a direct advantage upon the trading profits, as there is no increased charge for interest payable.* It will be seen, therefore, that so far as depreciation is concerned its charge to revenue becomes capitalised and relieves the interest charges against the expenses of future periods to the extent of the usual rate paid upon the amount of such capitalised depreciation. The value of this will be seen when we examine the question of depreciation.

Bank Interest.

We have stated elsewhere that the rate of interest on an overdrawn balance at the bank is fixed on loan terms,† and the overdraft itself is a loan generally secured by a legal or equitable mortgage.‡ This interest is, of course, included in the items of expenditure charged to the expenses account, and the explanations given above with regard to the effect of loan interest applies also to it. Interest (or dividend)§ receivable upon the bank account, however, cannot be regarded in the accounts as income on investments, as it is assumed that only a sufficient balance is allowed to remain in the bank at the low deposit rate|| to meet the requirements of the trade, with a margin to meet *the ordinary* requirements of withdrawable capital¶ and the contingent claim for the payment of dividend at the closing and passing of the accounts. The extent therefore that such a balance, being at a low rate, fails to satisfy the interest payable upon its amount, cannot be regarded as a deficit on investments, but an ordinary trading loss, always taken into consideration when the market price of goods is fixed, and in arriving at the rate of interest payable upon moneys invested outside the trading department, will be deducted from the interest charges. It is usual, therefore, to take both the bank interest and the bank dividend to the credit of the expenses account,

* See page 562. † See page 418. ‡ See page 469.
§ See page 422. || See page 421.
¶ See page 115. The trade department has against this the advantage of accumulated profit in cash for sales, and also the best terms of discount.

AUTOGRAPH CASH TILL.

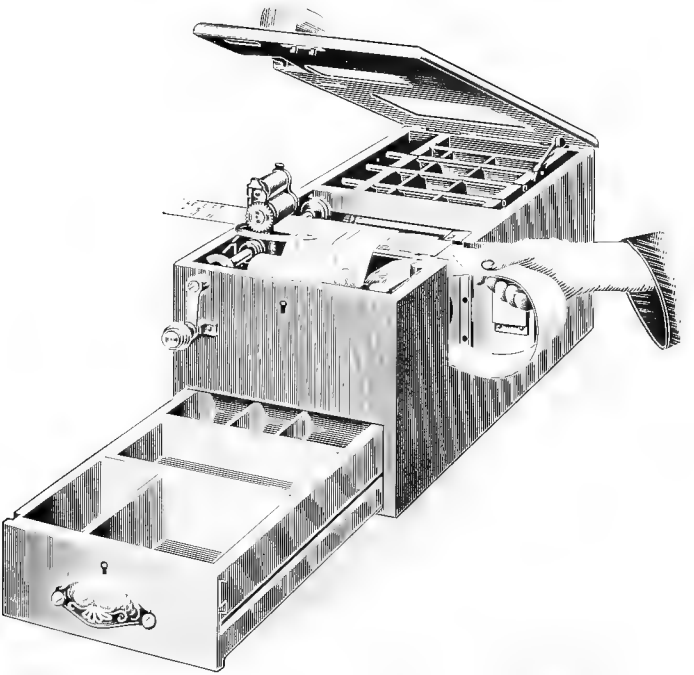


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PLATE XXXI.

To face page 180.

whether an investments revenue account is kept or not. Secretaries should remember that cash unbanked means the loss of interest, and the appearance upon the balance sheet of an excessive bank balance beyond the requirements referred to indicates that money is left idle which might be used to assist other concerns in the movement in which the demands for money are heavy, and to which the supply is spasmodic or indifferent.

Fluctuation.

Fluctuation is often confounded with depreciation, and therefore it may be necessary to carefully define its effect upon the co-operative balance sheet. It is the accidental variation in value which is the result of passing external conditions upon all kinds of property, whether fixed or floating assets. Fluctuation differs from depreciation in that it is external or collateral, whereas depreciation in its technical sense is inherent. Let us, in the first place, examine its effect upon stock-in-trade. Butter is bought at a certain price, and taken into stock at such price. When stock is taken the markets have fallen, yet the intrinsic soundness or saleability of the goods themselves is not changed.* Nevertheless, they represent a cost value greater than the amount that would be required to replace them. This unfavourable fluctuation is strictly outside the trade account, and in taking the stock it can be ignored. As the health of the goods has remained constant, the lesser profit eventually obtained through the corresponding fall in selling prices (if such prices are lowered by the manager to meet the market) is a matter for the trading account of the period *during which they are sold.* On the other hand, the favourable fluctuation of goods-in-trade should not be taken as a ground for writing up the stocks to market value, but such a fluctuation becomes temporarily a secret reserve,† which will ultimately accrue to trading when the stocks (the prices of

* See page 492. This argument must be discriminated from the question of old or unhealthy stocks.

† See page 563.

which are raised to meet the market) are realised. It might then be pertinently asked whether a large contract for goods bought at the top of the market will not require a provision for the contingent loss in gross profit through the market price having fallen; and if not, would not the dividend paid prior to such goods being sold be practically a payment to some extent out of capital? For reasons of prudence a reserve* might be created, but the trade account is theoretically not chargeable therewith, as this account should show the profit or loss upon sales, and not upon purchases; an argument which disposes of the old plausible method of taking stock at selling prices, and deducting an average percentage of profit. The circumstances of the case should also be taken into account. If it be a clear case of misbuying, it is a matter of depreciation in value, and not of fluctuation. If there is a considerable fall of prices through the seasonable change of fashions, such as in articles of millinery, the cost price is the value of the fashion, the goods themselves being of insignificant intrinsic value. Here again there is depreciation in value, but not fluctuation, as the moment the fashion ceases the goods themselves are comparatively worthless, just as a machine which is out of date depreciates to scrap-iron price. The objection to special stock-taking, or rather stock-valuing, lies in the fact that a special valuer will give the society the advantage of favourable fluctuations, as well as unfairly charging the manager with ordinary unfavourable ones; at the same time anticipating problematical profit or presuming problematical losses on sales. There is also the unsettlement of the department in the fact that the rates of net profit based upon such valuations cannot be analysed, and there is a fear that on the following stock-taking the probable return to the basis of cost prices destroys any value in the special valuation.† Turning to fixed stock, we find that similar variations in value through fluctuation occur. The value of machinery varies according to the iron and steel markets, and the price

* See page 563. † See page 306.

of wages, whether favourable or otherwise. A machine which becomes out of date has however not been affected by fluctuation, but by depreciation, as stated above, for its inherent profit-making value as a machine has ceased. The same law applies to land and buildings. Fluctuation of the value of land is generally favourable. The value in buildings varies according to the vagaries of the building trade and the market for materials. Fluctuation in buildings may be favourable through other causes, such as the laying out of a park opposite cottage property; or unfavourable through the building of an asylum, workhouse, or stables on an adjacent plot. We might give an instance in the case of trade buildings where a favourable fluctuation might be the result of the building of a main road, or the laying down of electric tramways; or unfavourable by the temporary rush of the dwelling population to a more remote quarter of the town. In each and all of these cases there is no reason for considering the rise and fall in value through fluctuation for the charging or crediting of the reserve fund. Fluctuation is only taken into account as a factor in fixing the *rate* of depreciation,* and then only when it is of an unstable and sliding character. It will be seen, therefore, that in the case of all assets the original cost price, subject to depreciation, is the best basis of their entry into the balance sheet, a revaluation being unnecessary except in extreme cases, such as an investigation, liquidation, or reconstruction, and even then unwise if the result is to write up the assets to provide for profit, and not to reinstate the credit or goodwill by adding the capital income thus created to the reserve fund.

What is Depreciation?

We have observed that depreciation in its exact sense is inherent. *It is the deterioration of assets, apart from their value, arising out of wear and tear, decay, or obsolescence.* Therefore the intrinsic value of the goods is in their potentialities both as to their use and suitability for the purpose assigned to

* See page 490.

them, and their market value is primarily of little consequence. This is best illustrated by the method of accounting adopted by companies incorporated and governed by special Acts of Parliament (such as railway companies). It is assumed that the capital is expended upon a permanent object, that is to say, there will be no question of sale of capital assets in the market; and consequently the realisable value of the shares depends only upon their earning capacity in dividend. The total expenditure is always taken into account as assets, and any provision made against such capital expenditure is in the shape of a sinking fund, explained in a later page. The methods of municipal bodies will serve also as an illustration of this principle, except for a qualification referred to in our discussion of sinking funds;* and as there are no shares, and therefore no capital value in the assets, the earning power of such expenditure merely acts in reduction of the rates. Depreciation in accounting has a much wider significance than is generally given to it by co-operators. Its correct technical term is "redemption," and should be defined as a *revenue charge to redeem within a reasonable time the moneys invested in capitalised assets.* The student should note here that though, according to the prevalent opinion in the movement, it is relegated to a secondary and almost insignificant place in considering the subject, the question of the redemption of the capital is more important than the inherent deterioration, decay, or obsolescence of the assets in which it was invested. If this were not so, and the question of fluctuation,† favourable or otherwise, could be left out of account, the only logical method of including assets in a balance sheet of a given date would be by a valuation, and charging the revenue account with the diminution in the value upon the previous valuation. *The principle of depreciation provides a systematic, regular, and concurrent liquidation of fixed assets, which not only bolsters up the capital and credit of the concern, but assists in maintaining for such assets a fixity of tenure in the money*

* See page 488. † See page 481.

market. If all capital expenditure were charged to revenue, no revenue charge for depreciation would be required, as no redemption of capital is necessary, but it would be a hardship which the members or shareholders would suffer to the advantage of subsequent periods. Nevertheless, the capitalising of such assets requires that the trading account should pay for this advantage by a regular, systematic, and mathematical charge, in the nature of rent, for their use. We can anticipate the reply to this argument, that there is value in the assets thus capitalised, by saying that their value is problematical, and as they belong to the shareholders, on division of these assets they would receive their due share, which is, of course, assuming that the organisation will not permanently remain for the purpose for which it was brought into being, or until the assets have completed the life of their use. The question as to how soon the capital should be redeemed is decided by many considerations, the most important of which are as follows. When will the capital fastened up in the assets be required for investment in further assets to meet the expansion of trade, or by what time will the assets themselves require to be reinstated? It will be observed that the former question is wider than, and in some respects includes, the latter. The relation of the supply to the demand of capital enters largely into the matter under discussion. Where the supply is great, such as in a distributive society, the rate of redemption might be expected to be at a slower rate than in other cases, because when further capital is required the supply is ample, because irrespective of the values of assets in the balance sheet, they are realisable at par value so long as the right of withdrawal exists; but this advantage is extinguished by the fact that the cause of this ready supply, the withdrawability of the capital at par, requires a larger unloosing of capital for the liquid assets* to maintain the credit and insure immunity from detriment through large withdrawals. Therefore a large revenue charge for redemption of capital is required in

* See page 543.

order to unloose capital for extensions or reinstatement, and at the same time prevent increased charges for interest.

Wear and Tear, Decay, and Obsolescence.

In considering the methods of depreciation, or redemption, regard must be had, as already stated, to the question of the reinstatement of the fixed assets prior to deciding the larger question of the redemption of the capital. The questions of wear and tear, decay, and obsolescence must be considered. Wear and tear is the deterioration arising from use, through which the capacity for use is diminished. This applies to buildings, machinery, fixtures, fittings, and rolling stock. The effect of wear and tear may be accentuated by insufficient and prompt repairs, which are a charge to the revenue, such repairs maintaining the regular action of this factor in depreciation. Decay is the detriment suffered from the inherent perishability of the assets. This applies particularly to trading stocks which become unhealthy and soiled if not cleared by early sales. It also applies to property through the action of the weather—repairs, such as painting, governing its degree. Horses depreciate on account of the natural decay through age. Tools decay through rust, and at such a heavy rate, combined with wear and tear, that they should be either written off through revenue on purchase, or extinguished by depreciation as speedily as possible. Obsolescence is the reduction or cessation of the capacity for use in the assets. This applies particularly to machinery, the value of which as a factor in production is greater than any intrinsic value in the assets themselves. A machine whose output is small is of comparatively little use in production when the market price falls to meet the greater output of a newer machine on a lesser prime cost in wages, and a lesser rate of establishment expenses upon the turnover.* Obsolescence in trade buildings is a serious factor in co-operative concerns, through the specialised nature of co-operative activity. Here obsolescence may not only be actual but contingent. The growth of a society demands newer and more up-to-date premises, and the old become

* See page 260.

obsolete. The actual obsolescence is in the fact that the old premises are not further required by the society, or if adapted to another purpose, require a large capital outlay in alterations. The contingent obsolescence arises through their capacity for a particular co-operative purpose rendering them the less fitted for other marketable purposes, and limits the demand in the market, and consequently reduces the marketable price. Societies are well advised, therefore, to carry alterations for special co-operative purposes to an alterations account, and redeem through profit and loss account over a short term, rather than add to the fixed stock account, where it will only suffer the ordinary rates of depreciation. Demolitions, too, are a direct capital loss to the society, and therefore to the reserve fund, the only credit being in the value of the timber and bricks sold, less expenses of demolition, the loss being reduced to the degree that the cost value of the buildings demolished had been extinguished by depreciation.*

Methods of Depreciation.

Having maintained by proper and methodical repairs, and the careful financing of alterations, a regular degree of depreciation under the above heads, probable sliding fluctuations and the necessary requirements of capital for speedy redemption must be taken into account in fixing the revenue charge. It will be noted that these considerations are so important for the financial stability of the concern, to guarantee the permanency of its existence as a going concern, *that it is necessary, for safety, to fix the revenue charge at an amount or rate that will redeem the capital considerably before the asset has run the length of its natural life;* at the same time it should be noted on the other hand that to fix rates of depreciation beyond the requirements of capital to meet the conditions referred to, is unfair to the revenue account. There are two methods by which this revenue charge is fixed and calculated. They are (*a*) the annuity or sinking

* See page 471.

fund system and (*b*) the instalment plan. The depreciation thus provided is in the nature of a fund,* but being associated with a particular asset, is not taken into account upon the liabilities side of the balance sheet, but deducted from the asset with which it is identified.

The Annuity or Sinking Fund System.

By this plan, which is theoretically the most sound of the methods of depreciation, the revenue charge is an amount which, taking into account the interest upon the capitalised depreciation, gives an equal and constant charge to revenue for the use of the asset, redeeming the capital in a determined number of years. The interest upon the accumulated depreciation is debited to the interest account and credited to the depreciation account. It is debited to the interest account because to this extent it has reduced the interest charges payable upon the total sum invested, whereas the reduction of the asset is at an ever-increasing rate, finally extinguishing it in the period projected for its redemption. The effect of this is to release an ever-increasing amount of locked-up capital each year for repayment. If still retained in fixed assets the revenue account is thus charged with the use of such assets which would otherwise require further capital on which interest would be payable. If the released capital is repaid to loan or share holders it thus charges the revenue account with the relief of interest on such repayment; or if invested in interest earning assets, the revenue charge for the interest on the accumulated depreciation acts as a set-off to such income. This method is customary in the accounts of municipal corporations where all capital is raised on loan, secured on the rates, by the exercise of borrowing powers authorised by the Local Government Board, such loans being redeemable in cash at determined dates. The capital thus redeemed then requires to be set aside for this purpose. This method is also suitable for estate work, such as in tenant

* See page 562.

societies where the estate and development charges are depreciated in one common fund, and the charges for interest on loan stock are heavier in the initial stages.

The Instalment Plan.

This method of depreciation is the most common among distributive and productive societies, and in practice the most adaptable to their methods. It is calculated by a percentage upon the original cost value. Here the question of interest is ignored, the relief of interest upon the redeemed capital accruing to the advantage of the trade account, and providing for any possible heavier rate of repairs consequent upon the increased age of the property depreciated. This plan reduces the value of the property, as it stands in the balance sheet, at a constant rate showing at a glance the projected period of total redemption of the capital invested therein; whereas the accruing relief of interest is an incentive to maintain as high a revenue charge for depreciation as is reasonably possible for the permanent advantage of future periods than to "trim" for present dividend purposes, with no thought for the future. The method adopted by many societies of depreciating upon the diminishing value cannot be recommended or justified, as it is unsound to a degree. The asset is never entirely redeemed, and the revenue charge for depreciation continually diminishes in amount. No period of redemption can be fixed, and there is no basis upon which its rate can be mathematically determined. Its published rate is deceptive to the members as it misleads them as to its effect upon the capital, as 5 per cent on nominal value after a term of years becomes less than 1 per cent on the original cost, after which the depreciation is so small as to be of no redeeming value whatever. It is sometimes argued that as the repairs will be probably heavier as the property becomes older, the two charges for repairs and depreciation might give a more equal charge against the profits, but this argument ignores the fact stated above, that the relief of interest on capital redeemed by deprecia-

tion has already provided for this. Apart from all these considerations it is obvious that this method of depreciation prevents any real consideration of the principles set forth in this chapter upon which the revenue charge for depreciation is originally fixed and the rate determined.

Rates of Depreciation.

Depreciation is stated by Rule 127 to be a primary charge upon profits, and it might be assumed that is only chargeable if profits are made; nevertheless, it is an accumulative charge before there can be any return in interest on shares or dividend on purchases, and should be systematically charged against revenue. It is always desirable to have a special rule* carefully defining the rates of depreciation upon each class of property in which the capital of the society is invested, so that they may have individual consideration. The chief classes of property are land unoccupied by premises, land with buildings erected thereon, fixtures and fittings, machinery, rolling stock, and horses; also assets in the manner of goodwill, such as tenant right and preliminary expenses. Preliminary expenses should be written off as quickly as possible, as on liquidation the asset disappears, unless the business is sold as a going concern and a premium is paid for the goodwill. It should be depreciated in the initial stages at not less than 10 per cent. With regard to tenant right, 5 per cent may be taken as an adequate guide for depreciation for the redemption of the capital, as a return of the premium to some extent will be made when the farm is relinquished. With regard to unoccupied land, the same rule applies as to redemption of capital, though the land itself suffers no inherent depreciation, and 1 per cent upon its original cost might be recommended. In the case of land occupied by buildings, the land depreciates in the sense that it is not available except for the site of the particular buildings erected upon it, and its value fluctuates according to the use and capacity of the buildings for the purpose to

* See footnote, page 23.

which they have been assigned, its environment, and the surrounding conditions. It is therefore generally accepted that the land occupied by buildings (usually representing an insignificant portion of the cost) should be considered as a component part of the property, and the whole amount depreciated together. Business premises and cottage property should be separately considered. The trade premises owned by co-operative societies are usually built to suit the requirements of co-operative trade, and to this extent lose their marketable value. The mere fact, also, that they are adapted to a certain kind of co-operative trade limits the demand if such were put on the market. Consequently, the generally accepted view that to redeem the capital in forty years, or $2\frac{1}{2}$ per cent on original cost, is a fair rate of depreciation, taking into account the favourable fluctuation in the value of the land. Cottage property, however, is not subject to the above strictures, and the rate of $1\frac{2}{3}$ or 2 per cent (according to the nature of the district and the nature of the buildings) on original cost might be considered adequate, care being taken not to add repairs to the capital expenditure, such as outside painting, &c. Plant and machinery is subject to rapid wear and tear and obsolescence, and should be generously depreciated. The fact that the success of productive enterprise depends largely upon the full capacity of up-to-date machinery was never more emphasised than it is to-day; therefore the redemption of capital to provide for reinstatement requires a rate of depreciation not less than $7\frac{1}{2}$ or even 10 per cent per annum, or upon the basis of a ten or thirteen years' life; boilers and connections should also be included under this head. For fixtures and fittings, the rate of $7\frac{1}{2}$ per cent on original value may be suggested as adequate. There is often a difficulty in deciding whether certain capital expenditure is upon buildings or upon fixtures. A suitable guide to opinion might be found in the question whether they are of such a nature that they could be claimed by the landlord if a lease were relinquished.* Baking ovens, however, are often added

* See page 554.

to fixtures, as $2\frac{1}{2}$ per cent (the depreciation rate upon buildings) is an altogether inadequate rate, in view of the extraordinary wear and tear which this class of property suffers through heat. Rolling stock and horses should be separately treated. The former suffer heavy depreciation from severe use, and $12\frac{1}{2}$ to 15 per cent would not be too high a rate at which the capital is redeemed; and harness should be similarly treated.* With regard to horses, there is always the liability of death or disablement, and their value to the society depends upon their capacity for use; therefore no less a rate than 20 per cent should be charged.† Where property is held on a short lease the depreciation should be such that will write off the cost for the lease a full year prior to the date the property is relinquished.‡ The premium for a lease is the discounted value of the total annual rent that would be charged, with compound interest added. The tenant is responsible for dilapidations, and they often amount to as much as a year's rental. The method given above will relieve the last year of the term of a revenue charge for depreciation, so as to provide for this special charge. Tenant-right has some characteristics similar to those of leasehold property, with the following difference:—When the property is relinquished, a claim can be made from the incoming tenant, or the landlord, for the value of the tenant-right or improvements upon the land. This amount, being capital income, will be credited to fixed stock account,§ and will go to extinguish the original cost. The surplus will be debited to the reserve fund. If there be a deficiency, it is a better plan to make a charge to the profit and loss account to provide for the deficit. A charge, however, should be made for depreciation in the meantime of 5 per cent per annum to redeem the capital.

Depreciation of Stocks.

The floating assets of a society in the form of trading

* See page 471, relating to renewals. † See page 471.

‡ This applies also to fixtures and fittings specially adapted to such leasehold property (see page 464). § See page 572.

stocks are subject to the same conditions as those enumerated in the preceding paragraphs with relation to fixed assets. There is, however, this distinctive feature regarding them, which will affect their consideration from a depreciative point of view—that (unlike fixed assets) they are "turned over," that is to say, that though a certain amount of capital must be consistently and continually invested in this class of property, yet it does not represent the identical goods either in specie or quantity. The fact that the goods, in the natural course of the trade, are sold and substituted by others prevents an undue inflation of capital in that the sales are continually absorbing the depreciation, and only in the case of departments of a nature that allow the retention of stocks of certain types, within the space of more than one balancing period, is there any risk attached to the entry of stocks as assets in the balance sheet, *if the values are strictly determined at cost price.* Depreciation on stocks must therefore be considered in two connections—(*a*) the reduction required to cover the unhealthy condition, or inherent vice of specially identified articles, and (*b*) that which includes also a contingent provision for fluctuation and variations of demand. In departments which deal with perishable articles the former plan may be adopted, the goods having been marked on the stock sheet by a cross, and the cost price reduced by the manager, who should immediately give instructions for a clearance of the goods at selling-out prices.* By this plan it will be seen that the reduced stock balance by depreciation renders the net profit subject to a charge not in the actual expenses account itself, and if of any considerable amount will give a variation of rate of net profit upon sales difficult to analyse. It also is an anticipation of a loss on sales which is in contravention of the principle of the trade account, namely, that the gross profit is the difference between the purchase price of goods sold during the period, and the price at which they were sold. This plan, if adopted in textile departments, is even

* See page 304.

more difficult to deal with. It requires the goods to be separately identified, and marked with the depreciated price (as in the case of an independent valuation) so as to prevent entering them in the stock sheets at the next stock-taking at their original cost price, otherwise the gross profit of the following period is receiving back suspended profit of the previous period on the sale of goods in such period. The better plan, therefore, is to enter the goods at cost price, and provide depreciation in a manner that its rate, amount, and effect upon the profits can be easily determined. This is done in two ways, by simple and compound depreciation. The simple depreciation may be applied to grocery stocks. A reduction upon a percentage from 2½ to 5 might be taken off the total of these stocks, sufficient to cover the carriage included in the price of goods bought carriage paid, dividend upon goods purchased from the Wholesale Societies and productive societies, depreciation of unhealthy stock, and the fall in market values of goods.* As the reduced stock is a debit to the succeeding period, it is absorbed in its sales. Though the succeeding period has the advantage of this percentage, it suffers the charge for the depreciation in the stocks to end, and the gross profit becomes correct in principle, as the stocks should be of a practically constant amount in ratio with the sales. The loss on the sale of unhealthy goods then falls upon the period during which they were sold, whereas at the same time the lesser value arising out of such depreciation has been carefully noted among the assets of the previous period. The method of compound depreciation should be applied to all departments where the stocks are great in relation to turnover, are not perishable like grocery and provisions, and have to be kept for a considerable length of time. This applies to drapery and other departments of a similar nature. Here the percentage of depreciation† is taken from the stocks as before, but not absorbed in the sales of the subsequent period. The same percentage is again calculated and the accumu-

* See page 481.] † Usually 10 % per annum.

lated depreciation is deducted from the stocks. Thus there is a charge to revenue through the stocks of a fixed ratio upon the cost value of stocks held, the accumulated depreciation to the previous date deducted from the stocks to commence relieving the same amount of the deduction upon the stocks to end. If stocks are held any length of time, new purchases of the same goods being made to meet the sales, an increased amount of depreciation is the result, as the total stocks are greater in cost value. If goods are sold either by bargain sales, either over the counter in the course of trade or by a special clearance sale, allowance is made from the depreciation fund for the concessions in selling prices originally fixed and charged to the leakage account, such allowance being made according to the weekly change of prices note.* It will be seen that a regular charge is made for losses upon sales which by a clearance sale would fall upon one quarter, and the results of the department follow the correct principle that the profit has been derived from actual sales during the period after the deduction of the expenses which in this case is increased by a simple equitable revenue charge for depreciation of stocks easily ascertainable. Clearance sales are generally held upon the days of dividend paying, and should be such as to entirely denude the stocks of the season's fashions, and thus release capital for new stock. The total cost values of stock should be stated upon the balance sheet in short, and the depreciation deducted, the net amount as per the trade account carried into the outer column as an asset.

Depreciation in Investments.

If an investment in shares is of a character that they are not worth par value (usually carrying no dividend), it is advisable to write them off through the reserve fund. This plan relieves the interest charges of the investments revenue account, at the same time relieving the interest on the reserve fund chargeable to trade. Investments in shares of

* See page 245.

societies or associations of a propaganda or charitable nature, such as the Co-operative Union, the Convalescent Homes Association, &c., though standing in the investments account as shares,* should be written off by depreciation through the reserve fund, for though there is full value in these assets, and scrip or pass books representing the share claims are held by the society, they are not intended to earn interest, and to this extent would give an improper charge for interest, and consequently an incorrect ascertainment of surplus or deficiency in the investments revenue account.†

* See page 574. † See page 576.

SELF-ADDING CASH TILL.

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PLATE XXXII

To face page 490.

APPENDIX TO CHAPTER XXVI.

SUGGESTED RATES OF REDEMPTION.

	On Original Value.	
Preliminary Expenses	10 %	per annum.
Land (unoccupied)	1 %	,,
Tenant-right	5 %	,,
Land and Buildings	$2\frac{1}{2}$ %	,,
Cottage Property	$1\frac{2}{3}$ % to 2 %	,,
Machinery	$7\frac{1}{2}$ % to 10 %	,,
Fixtures and Fittings	$7\frac{1}{2}$ %	,,
Rolling Stock	$12\frac{1}{2}$ % to 15 %	,,
Horses	20 %	,,

All Repairs to be charged to Revenue and Alterations to Profit and Loss Account.

CHAPTER XXVII.

Expenses—Rating, Insurance, and Income Tax.

Liabilities Requiring Special Treatment.

It is not our intention in this work to deal individually with each class of expense which a society in the course of its business is liable to discharge, but certain of these liabilities are of so high an importance as to require special consideration, and will consequently command the personal control and supervision of the secretary. An equitable payment must be paid to the local authority for the privilege of carrying on business without interference, for police protection, for the up-keep and maintenance of the roads (the avenues of trade), for sanitation (the requirements of health), and for the use of water, gas, or electricity; and these charges are known by the name of "rates." There is also the charge made by the Inland Revenue Authority on behalf of the State for the "privilege of living in a civilised country" and being under the protection of the law, such charges being denoted by the term "taxes." Lastly, there are certain contingencies the nature of which is such that it is imprudent not to make adequate provision for them in view of the serious issues involved; consequently all reasonable external means at the disposal of the society must be taken advantage of in order to reduce or extinguish the risk. The business of insurance of a wide and comprehensive character has therefore arisen to meet this want. The secretary who is anxious to give capable service will not be content to accept without question the charges made, but will endeavour to gain sufficient knowledge of their nature and the manner in which they are computed so as to keep the committee, for whom he acts, alive to the proper consideration of these matters vital to the interests of a society.

Rating Assessment.

In levying a rate, the local authority has regard to the expenditure which the income of the rate is required to meet. In addition to the maintenance of roads, open spaces, and recreation grounds, the requirements of sanitation, the police, the provision for education, interest on loans and the establishment charges of the city, borough, or urban district (less the profits from the tramways and the gas and water undertakings), there is also the expenditure estimated by the Guardians for the administration of the various Acts with relation to the relief of the poor. Though in many instances there is a consolidated rate, yet the proportion stated on the demand note as Poor Rate is administered by the Poor Law Authority, separately from the district rate administered by the Council. Two considerations enter into the question of the levy, one concerning capital and the other with regard to income; the former being the assessment and the latter the rate. Accordingly as the assessment value is greater, the rate will be correspondingly less, consequently there is an incentive to the overseers to raise the assessments as high as possible. If an increased proportionate revaluation were made in every case it would not be inequitable, but some authorities endeavour to accomplish their object by assessing new properties on a more exacting basis, and the secretary should be alive to this; for he should remember that, though societies cannot directly govern the rate levied, they can prevent an unreasonable assessment value of the property being made. Whether the poor rate and district rate are collected separately or jointly, the assessment for the district rate is identical with the assessment for the poor rate. A brief explanation of the method of administration might be here appropriately given. The officers appointed for the purposes of assessment and the collection of the poor rate are the overseers, who are usually appointed by the council, but the required expenditure is estimated by the Guardians, who are elective. An appeal from the decision of the overseers can be made to an assess-

ment committee appointed from among themselves by the Guardians, or sometimes jointly by the Guardians and the council. It is the duty of this committee to investigate and supervise the valuations for assessment made by the overseers, and a ratepayer has the right to inspect, without charge, the minute book of this committee, and even to take extracts in writing therefrom. There is also a valuable privilege given to him in that he can inspect and take extracts in writing from any list of valuations or new valuations in the hands of the overseers, if the same has been made and deposited by the direction of the assessment committee. He thus has opportunity of examining the assessment of property other than his own for the purpose of comparison. A ratepayer may object to any new assessment thus made, on grounds of error, omission, or injustice, if such objection be made within twenty-eight days. He may also object to a current rate. In either case he may appear personally or by solicitor or agent* at meetings of the committee of which notice is duly given, and give reasons why his assessment should be amended; and the assessment committee may, if they deem fit, amend the assessment of the overseers. A ratepayer has also the power of appeal to Special or Quarter Sessions, which may override the decisions of the assessment committee. The value of the property for assessment purposes is based upon rental. It is taken as the return the owner as landlord would obtain in rent from a hypothetical tenant who occupied the same for the ordinary uses for which such property had been provided, free from rates and taxes, and after deduction of the probable annual cost of repairs, insurance, and other charges of maintenance necessary to command such rent. This is called the net annual value upon which the rate is computed. The reductions referred to are generally stereotyped by means of regular percentage. This percentage varies according to the class of property, and the amount differs in various localities. Where the occupier is not the

* Thus the Secretary can act for the society.

owner, the rent paid by him is a usual basis of the assessment of gross value, for unless the rent is for special reasons higher than a tenant in the ordinary way would pay (in which case there might be a reasonable ground for claiming reduction, according to the doctrine of the "hypothetical tenancy"), the rent paid might be equitably considered the actual gross annual value of the property. Where, however, the occupier is also the owner, the mere fact that there is no actual rental on which to base the assessment gives the overseers the opportunity to take into consideration in arriving at the rental of the "hypothetical tenant" the question of capital expenditure and profits, and this often falls harshly upon co-operative societies on account of the specialised nature of their operations. It often happens, for instance, that the gross annual value is computed at a high percentage upon the total expenditure as given in the balance sheet, the percentage being determined by gross profits made in the departments. This method is particularly unfair to societies on several grounds. By statute, profits made from stock-in-trade are exempt from the rates, though the usual profit of the particular kind of business may be taken as a guide to estimate the rent which the "hypothetical tenant" would be willing to pay. The overseers are only acquainted with the total expenditure by the natural publicity which co-operators have to give to their accounts, on account of the open and unlimited character of their membership. The buildings are built for special co-operative purposes, and if let the "hypothetical tenant" would only become an actual tenant at a much reduced rental than that which ordinarily obtains, and structural alterations to adapt the premises to suit a special trade, though increasing the capital outlay, yet reduce the chances of letting if the premises were in the open market. Even if profits upon stock-in-trade were not excluded by statute, yet, whether a profit is made or not, the assessment is not affected, as it is in the nature of a rental, and properties of equal value may obtain different profits

according to their use. A grocery shop with the same accommodation would do a much larger bulk trade than if used for drapery, and a much larger profit in proportion. In rating property the land is, at the present time, included in the general assessment, but in the case of agricultural land only half the rate is chargeable. If property is unoccupied it is exempted from rates,* but this does not apply to certain portions of a building not being used by the owner or occupier. Land used for grazing is considered as in occupation. Buildings in course of erection are not considered as occupied by the owner until they are complete; therefore they are not ratable. In the case of leases where a premium is paid, the gross rent is considered to be the annual rent payable during the period of the lease (of which the premium is the present or compounded value), after adding the rates, taxes, insurance, and repairs, which the tenant covenants to pay under the terms of the lease. In rating premises regard is had only to the fixtures which affect the occupation in that they increase its occupation value. Examples might be given such as counters and shelves in the shop; desks, safes, and counters in the office; machinery in the productive departments; but not movable furniture in a dwelling house. There is much difficulty in arriving at the equitable value of these assets; but in this and in all other cases it might be suggested that it is better to discount, if possible, any unfair treatment by a personal interview with the assistant overseer, and lay a reasonable case before him prior to the assessment, rather than to call into requisition the machinery relating to objection and appeal.

Income Tax.

With reference to income tax, similar arguments apply as in the case of rating, except that the Inland Revenue is the authority, and the surveyor of taxes assesses the property

* A ratepayer in some districts is allowed to compound his rates, by waiving this right in consideration of a more liberal discount or reduction. In Scotland poor rate is charged even if the property is unoccupied.

instead of the overseer. The income tax has at the present time a differential rate—ninepence per £ on earned and one shilling on income unearned. Societies are not concerned with the lesser rate, as they are in ordinary cases exempt from the tax under schedules C and D (section 24). Yet, as the demand note shows a differential rate under schedules A and B, it might be explained without comment that the lesser rate does not come under the society's purview.*

The question of income tax is one upon which there has been much controversy on account of the fact that co-operative societies are exempt from this tax so far as schedules C and D are concerned (section 24). It should be remembered that income tax is a tax upon income; that is to say, if there is no income there is no tax. There is, therefore, this difference between the income tax and a rate, namely that a rate is the net rent of the premises whether the occupier is using them at a loss or a profit to himself, whereas in the case of a tax it is entirely dependent upon the fact whether an income or profit is being made. Though a concession is made in a rate where properties are unlet (which will be waived if a compounded rate is paid) it is not on the ground that a loss is being made upon the property, but on the assumption that they are not lettable, and therefore have no annual value.† This is shown in the fact that a reclaim may be made by business concerns (other than societies) liable to tax upon profits under schedule D for tax paid under schedule A if no profits are made to cover the tax. The principle of the income tax is that each member of the State shall pay tax upon his *individual* income, according to a return made by him, and which the Inland Revenue authorities take all reasonable means of verifying. In consequence of the doubt that these statements were in many cases doubtful and incomplete, power has been given by law to tax income at the source from which income is derived, and evidently there had been much income which

* The ninepenny rate only applies to the property of clergymen, whose salaries includes the house rent free. † See page 500.

had escaped taxation through improper returns, in the fact that as soon as this power was given, the revenue from income tax increased in a remarkable degree. It must be remembered that though all companies, corporations, and other bodies are taxed as such upon their income, yet as the tax is an individual tax, they have the right to recoup themselves from their payments to those who benefit under them by deducting the tax *pro rata* from payments of interest, giving the payee in each case a certificate that such tax has been deducted. The same rule relating to taxation at the source applies to mortgagors and other persons receiving money upon various securities who are taxed upon the interest payable upon such advances, with power to recoup from the interest payable. The rate of income tax is fixed by the "Budget" from time to time as expressed in the Finance Bill passed each year by Parliament. At the time of writing the following are the regulations and limitations imposed by the Act in force. Differentiation is made between earned and unearned incomes, the rate for the former of which is 9d. per £ and the latter 1s., though if an individual's income is £2,000 it is all considered to be for taxation purposes at the "unearned" rate. All income is not taxed, for certain abatements are given upon the taxable income according to its amount, but it is perhaps sufficient here to say that an income less than £160 per annum is free from tax, and if not greater than £400 it is only taxable to the extent to which it exceeds £160, though there is much discussion in political quarters as to the probability of the abatement being reduced. There are five headings under which the tax is assessed, known by the titles of schedules A to E. Schedule A is generally termed property tax; schedule B is the tax upon the occupation of lands for agriculture and forestry; schedule C relates to interests and dividends upon all classes of investments; schedule D refers to the income from trades and professions; and schedule E includes the salaries of officers and employés. Where incomes are taxed at the source, and the individual entitled to such income

has the right of total or partial abatement, he has the right to claim the income tax deducted from such income direct from the Inland Revenue on stating the particulars and sources of his total income. The question of income tax is so involved and far-reaching that it would be foolish to discuss it otherwise than in general terms except so far as co-operative societies are concerned. Great controversy has arisen among private concerns, however, as to the fairness of the Act which exempts a registered society from taxation under schedules C and D,* and this question is worthy of some extended treatment. Any question of unfairness lies in the power of the Inland Revenue authority to tax at the source, which, if it were applied to co-operative societies in the cases of schedules C and D, would be unfortunate both for the Inland Revenue and the co-operative society. Presuming for the moment that both interest on shares and dividend upon purchases payable to members are income liable to taxation, the tax would have to be deducted upon each petty item of interest in the share summary, and each amount of dividend payable to recoup to the society the tax paid. Each member, who as a rule has less than £160 per annum, would have the right to reclaim such tax, and the trouble and expense to the Inland Revenue would be enormous. If the amount of abatement were lowered to this extent it would reduce the latter, but the former would be so mischievous in character and difficult in practice on account of the nature of the payments, and the consequent manner of book-keeping, that a society would be compelled to reduce interest and dividends from income tax deductions, charging the profit and loss account, and therefore reducing the balance disposable, with the amount payable to the Inland Revenue. It should be noted that though the society itself is exempt from tax under the schedules specified, yet it does not exempt the member from payment of the tax thereon, the difference being that he would include such income in his income tax return as income untaxed at the

* Section 24.

source. In the above argument we have assumed that interest and dividend are to be similarly treated, yet this is not the case. Share or loan interest is the earning of the capital employed which is similar on all points to the interest paid to shareholders in a joint-stock company, but dividend on purchases cannot be thus regarded. It is the mere result of the co-operative plan that the shareholder and the member are identical, and that dividend is made at all. If dividend is made it is made out of the member-shareholders themselves, and not out of others (except where goods are sold to non-members).* If an individual purchases retail goods at wholesale prices by joining with his friends to purchase in bulk, the difference between the wholesale price and the retail price is not chargeable with income tax. Therefore members of a co-operative society join together and for the purposes of safety sell to themselves at retail prices goods bought at wholesale prices, reserving the discount until the end of certain stated periods when their accounts are made up, this is no more a taxable income than the difference between wholesale and retail prices, if the goods were sold to them immediately at the actual cost, plus expenses.† Co-operative societies are not exempt from tax under schedules A and B, and are therefore assessed in the manner of the rates. Though the poor rate assessment is accepted as the assessment for the district rate, it is not always thus regarded by the Inland Revenue authorities,‡ who argue that, as the income tax is a tax upon income, they have the right to assess according to actual profits earned by the use of the premises, or through the occupation of the land, rather than according to the rent that the hypothetical tenant would be willing to pay.§ The manner of estimating the reduction for repairs, &c., to reduce the gross rental to the net annual value is definitely and universally fixed, being at the rate of one-sixth in the case of buildings, and one-tenth for lands. A remedy for unfair assessment is pro-

* See page 2. † See page 565. ‡ See page 501.

§ In Scotland the Inland Revenue authority accepts the assessment of the Burgh Assessors without challenge.

vided under all the schedules. An objection may be lodged and a personal appeal made before the Assessment Commissioners, and the taxpayer may even elect to state his case before the Special Commissioners. There is little probability of a successful reclaim under schedule A or B on the ground of no profits having been made, but reclaims for the tax deducted from interest on investments are frequent, and if made regularly and systematically, meet with prompt and ready payment. Such cases are loans on mortgage, loans in corporations, shares and loans in joint-stock companies; and the secretary should see that he retains the upper portion of the dividend warrant to prove his claim, or in the case of mortgage interest obtain a certificate from the mortgagor that he has deducted tax from his payment to the society, the Inland Revenue providing a small buff printed slip for this purpose. A society must fill up each year the return served upon it (under schedule E) relating to the salaries of such servants whose incomes exceed £160 per year, but is not bound to pay tax for the same, as this is dealt with individually by the Inland Revenue authority. As a society is not taxed at the source it has no right to deduct income tax upon share, loan, or mortgage interest paid, as this amounts to defrauding the State. Where a joint-stock company or similar concern, in which the society's surplus capital is invested, declares a dividend free from income tax, that is to say declares a rate considered net after deductions of the income tax, the society can reclaim the tax upon the amount which would have been payable to it, which, when the income tax is deducted, would be equal to the net payment.

Dealings with Non-Members.

The Industrial and Provident Societies Act, though it exempts registered societies from taxation at the source under schedules C and D, yet places certain stipulations upon their practice subject to which this relief is obtained (section 24). Societies must not limit the number of their

shares either by their rules or their practice, *and at the same time* sell to persons not members thereof. If a society sells to non-members, whether the profits upon their purchases are paid to members, returned to the non-member, or added to the reserve fund,* it is liable to income tax if its rules or its practice is such as to limit the holding of its share capital to a particular few, and not to open its register to all. Therefore if the society has too much capital, the best policy for the general meeting is to reduce the limit of individual holdings, and repay the excess in the manner provided by Rule 33, rather than refuse to admit any additional persons to membership.

Heating, Light, and Water.

The requirements of gas, water, and electricity are so universal that the supply is now generally undertaken by the municipal authority, whose profits go in reduction of the rates, and the charges for which are, or should be, based upon reasonable prices to supply a reasonable profit; and these charges are in the form of special rates. The debits for gas and electricity are based upon the feet or units consumed as recorded by meter, and the figures should be confirmed by the secretary, the meters being periodically tested by the local authority. Water, however, is based upon the poor rate assessment, such being termed the water rent. There is also, especially in the case of productive works, a water rate based upon consumption. Both these charges are payable by the tenant or occupier, whether the owner or not, and any provision in the lease by which the landlord agrees to pay them only gives the tenant the right to deduct the same from his rent.

Fire Insurance.

The consideration of the contingency of fire or accident is of higher import, as these risks have been increased by the statutes and judgments of recent times. The committee of a society are usually guilty of a breach of trust if they do not

* See page 562

pay careful attention to this question and thus reduce by insurance any probable undermining of the society's stability, by a large loss through fire, or heavy claim for compensation through accident to employés in the course of their duties. Contracts of insurance are *uberrimae fidei*,* and may be repudiated by the party liable to performance if material facts are not disclosed either at the time that the contract is made, or if the conditions are not in existence at such time, when they are created. The original form of insurance is still in existence at Lloyd's with regard to marine insurance, generally termed "underwriting," by which, for a commission, persons of means underwrite or indemnify the property of the insured to certain proportions of the risk of the loss. Thus insurance is in the nature of a suretyship, *i.e.*, for the debt, default, or miscarriage of another, and a fund provided by the society itself for such contingencies is therefore not correctly described as an insurance fund, but a contingency fund.† The business of insurance is now almost exclusively in the hands of joint-stock companies, and this business has been specially adapted to co-operative requirements as far as the risks involved will at present allow, by a special registered society incorporated by resolution of the Co-operative Congress, called the Co-operative Insurance Society, which thus concentrates and tabulates co-operative experience for the benefit of the movement. Insurance corporations can be divided into two classes—tariff and non-tariff offices. The former have a working arrangement by which risks and the joint accumulated experience of risks are carefully classified, and uniform rates of premiums are charged. These offices are represented upon the Fire Offices Committee which exercises a moral control over the business methods of the firms represented, so as to prevent any competition in premiums exerting a baneful influence upon the funds built up from them to meet the risks. Care must be taken in choosing an insurance office that its finances are sound, for it is better

* See page 158. † See page 513.

to insure with a firm with large accumulated funds with which to pay claims, than one which, though not so well established, quotes at lower rates. In large risks it is better to divide the insurance, though the insurance companies themselves re-insure.* The contract of insurance must be in writing† and executed under the common seal of the insurance society or company, and the consideration required by the contract is an annual payment termed the premium. The premium is payable in advance, but a period of fifteen days' grace is allowed. The offer‡ of the contract used to be required in writing in a form known as a "proposal," indicating the description and particulars of the subject matter of the insurance. This plan is now generally disregarded, negotiations being made either verbally or by letter, and an expert inspector from the company taking particulars in a personal interview and survey of the property. This is followed up by quotations, which, if accepted, entitles the society to a cover note§ securing for a period of eight weeks the risk of the property for the time being, until the policy is completed and the premium paid. If a fire occurred, the premium would be deducted from the claim. The policy is the receipt for the first payment, though often a separate receipt is given as well. Insurance policies run for a year only, but the receipt for the new premium, called a "renewal receipt," renews the contract in the same terms as in the original policy. The date of the policy is one of the usual quarter days, Ladyday, Midsummer, Michaelmas, and Christmas,‖ and the first premium is calculated so as to cover the broken period up to the quarter day fixed in the agreement itself. The policy must have the particulars of the property carefully described,¶ and the amounts of the insurance stated on each if it be divided, as insurance offices

* See page 510. † See page 154. ‡ See page 148.
§ See page 517.

‖ In Scotland the quarter days are Candlemas, Whitsunday, Lammas, and Martinmas.

¶ For instance, utensils and fixtures *in* a building would not include outside lamps, signs, &c., unless specially referred to.

now require. Also if notice of any material fact affecting the risk, or any material alteration in the property, is given to the insurance office, the secretary should see that a signed "endorsement" is made by them and attached to the policy, stating that the particulars of these are known and admitted without prejudice to the contract, otherwise the contract is voidable.* In establishing a claim under a policy of fire insurance the insured must prove that he had an interest in the property at the time the fire occurred. If the property has passed to another person it is the novation of the contract,† and unless the consent of the insurance office has been obtained, the fire is at the risk of the purchaser.‡ Notice of the damage by fire must be given within fifteen days of its occurrence, but immediate notice of course is advisable, the office generally giving an extended time, according to the circumstances, for the preparation of the statement of claim. The assessors of the insurance corporation have the right to claim production of books, vouchers, &c., to verify the statement of claim, and therefore a careful and particular inventory of all fixed assets, with their invoice price, should be made and kept by the secretary for easy references.§ Loss of profits are not recoverable, but only the actual loss sustained, the former being insured by some companies under a separate policy carrying a special premium. An "average" clause‖ is generally included in the policy in which case the insurance office only bears the loss *pro rata*. If property is only insured to half its value the society must bear half the loss. If the property is insured in more than one office notice must be given, and each will bear its share of the loss according to the amounts covered. The secretary will also note that if the proportions on each class of property is identified, the amount overinsured on other property will not go to the advantage of the assets underinsured. If a shop is insured, say, for £1,000 with

* See page 148. † See page 159.

‡ Unless the novation has been by operation of law (see page 159).

§ See page 473. ‖ See pages 518 and 519.

regard to the premises, and £500 to cover the stock-in-trade (the former being worth £800 and the latter £700), and the whole is destroyed, there is only a claim for £800 on the former and £500 on the latter, and in a partial damage the same principle applies *pro rata*. It must be remembered that the insurance society or company may elect to rebuild, reinstate, or replace the property damaged, instead of paying the claim in cash,* and in such a case is entitled to the salvage. They may also take the value of the salvage in deduction of the claim, such as in the case of damaged fixtures or stock-in-trade. Perhaps there is no matter which is so often overlooked than the methodical and periodical consideration of insurances,† and the secretary should deem it an important duty to put this matter at regular intervals upon the agenda of the committee.‡ The risk of fire may be materially reduced by the conduct of the manager or employés through the exercise of care and tidiness, and the secretary will do well to arrange with the manager to inform him if anything is done on the trading premises for which an endorsement of the policy is necessary.

Rates of Fire Insurance.

A word worthy of note might be given here with regard to rates of insurance. The payments are easier if each department is separately defined and, if in one block, they are separated by fireproof floors and fireproof corridors. Electric lighting may be said to reduce the risk, if compared with those in which gas is used, though there is introduced the dangerous feature of faulty hidden wiring, to which many dangerous outbreaks have been attributed; never theless, electric installation is often the subject of a reduced quotation. Rules as to early closing, the provision of fire buckets, sprinklers, extinguishers, hydrants, and certain fire alarms are also features which favourably affect the rate. On the other hand, to be in contiguity to a building where a dangerous trade is carried on will prejudice the risk in

* See also page 554. † See page 184. ‡ See Chapter XXXI.

"FIELDING-WOOD" SYSTEM.

CHECK BOOK, BOX, AND STAPLER

PLATE XXXIII.

To face page 12

obtaining a quotation. "Fur, feathers, and fire" are synonymous terms to an insurance company, as many an anxious insurer has found to his cost. There are four degrees of standard fireproof construction recognised by the insurance offices, and command special discount on the rate, and a schedule of these should be obtained from the insurance office by any society which contemplates the erection of a new building.*

Contingency Funds.

Many societies prefer to take their own risks, and add the premiums they would otherwise pay to outside firms to a contingency or insurance fund.† This is in most cases a hazardous experiment, which is seldom attempted by joint-stock companies. Insurance is a matter so important, and the risks involved are so great, that only a large firm with large accumulated funds can deal with them adequately for purposes of safety, and then the enormous increased risks on account of the larger capital outlay in insurable assets makes the contingencies the more uncertain. The redemption of capital which such a fund provides‡ is of less value than the risk incurred, and perhaps we shall see in the future some method by which—through the controlling influence of one common body concentrated upon this one object and gaining the accumulated experience necessary—societies may co-operatively underwrite each other's insurance, and thus bear in co-operation the loss which at present will fall either upon the society's own insurance fund or that of the insurance offices. It will be noted that fire insurance risks are so hazardous in the eyes of those who are experienced that fire offices reinsure with each other their risks which they have taken up, so as to increase their stability and share the probable losses.

Workmen's Compensation.

The effect of statute law during the present decade has been to emphasise the responsibility of employers for their

* See page 467. † See page 564. ‡ See page 562.

employés during the time that they are acting for them in the course of their employment, and the recent Act is of a far-reaching character. The premium of the policy is based upon estimated wages for the year covered, and a rebate is made upon the next premium for the difference between the wages estimated to be paid and those actually paid. The liability covers all employés (including casual labour and domestic servants), the chief exception being in the case of employés in the receipt of £260 per annum. The statute gives definitions of the manner and amount of compensation for injuries, whether due to accident or disease, for which compensation is necessary.* A society that has a scheme of insurance, benefit, or compensation in force, if approved by the Registrar of Friendly Societies (after ascertaining the views of employer and workmen), may contract out of the Act, the Registrar giving a certificate for a period of five years, which he may renew from time to time for a like period. It cannot be too strongly emphasised in this work that this liability for compensation is so important that a policy of insurance should be taken out in respect to it.†

Fidelity Insurance.

The best protection from loss through the fraud of servants in charge of moneys belonging to the society is a good salary, a careful and accurate method of accounting, and an efficient audit. Temptation is usually the origin of wrong-doing, and such preventatives make it easier to do right and harder to do wrong. Nevertheless, the committee as trustees of the moneys and property of the society, should not be simply content to rest upon the consciences of the society's servants. It is wise, therefore, to insure the fidelity of their employés who handle the society's moneys, a small premium covering the insurance of this risk. At the same time, there is more moral value in a cash bond secured by moneys deposited by the employé himself,‡ bearing

* See "The Workmen's Compensation Act, 1906," by Henry Harwood, M.A.; also "Compensation for Man and Maid," by O. M. Wihl, B.A., LL.B., Barrister-at-Law.

† See pages 520 and 521. ‡ See page 23.

interest in his favour, and the investment of which gives him a sense of security against the time of misfortune. In any case a cash bond should be required from the secretary, which should be in amount to the extent that his means will allow, if not equal to his responsibility.

Collective Life Assurance.

This form of insurance is being gradually adopted by societies to a degree that merits a brief outline in this work. It is a speciality of the Co-operative Insurance Society, and is only adaptable to the co-operative plan. The premium payable is 1d. per £1 of the sales, and the death of the member must occur within the year which the policy covers, his legal personal representative receiving 4s. per £ of the member's purchases for the year, based upon the average purchases of the deceased during a period of years varying with the age at death.* A great saving of expenses is effected by this collective method of life assurance, which guarantees this exceptional treatment, the assured having the benefit of nineteen shillings of every pound sterling of premium. The manner in which the premium is calculated is easily understood by the member, as he knows that he is paying a certain ascertainable quota of his dividend for the purpose.†

Accounting of Rental Charges.

Rates, taxes, and insurance are either entered in the invoice book (columns being then provided for their dissection) or they are treated as double transactions,‡ and analysed in an expenses cash book,§ a separate column being provided for them in the daily cash book.‖ At the end of a balancing period the total of the analytical columns are made, the amounts owing as per unledgered invoices (as per expenses file) added, and the corresponding items owing the previous period deducted. Thus this adjustment acts as

* See pages 522 and 523. † See page 568. ‡ See page 312.
§ Similar to the Cash Purchases Book (see page 323).
‖ See page 454.

the impersonal account for expenses based on cash.* Another method of treating expenses based on cash paid is to open impersonal ledger accounts in an expenses ledger, in which the balances to begin and to end are denoted in each account, and the net charge obtained. A brief note concerning the periods covered by the rates and the method of payment may be useful. The poor and district rates, if on the same demand note, will cover the same period, generally a whole year. The period covered is not always given upon the note. For instance, a rate made in May may be for the year ended the following March. It is always payable in advance, but sometimes may be satisfied in half-yearly or quarterly payments. Income tax is payable on or before January 1st for the year ended the following April 5th, which is the balancing date of the Treasury. Gas and electricity and the water rate are payable after a quarter's consumption, and up to and including the quarters ended March 31st, June 30th, September 30th, and December 31st, and in many districts a discount is allowed for prompt payment. The water rent is payable for a year in advance, generally up to the following March 31st, but it varies in different localities. These dates should be held in mind by the secretary in calculating the amounts paid in advance and accrued owing at the balancing date. A schedule of insurances† should always be kept by the secretary, the policies being numbered in order of entry. Thus it is seen whether all insurances have been duly renewed, and a comparison between the current and previous year's figures may be made from time to time. By this means the secretary can give to the committee at any time particulars of these charges without any lengthy and irritating research.‡

* See "Co-operative Book-keeping," page 280.
† See page 524. ‡ See page 33.

APPENDIX TO CHAPTER XXVII.

No. **30180.** Telephone No. 1,494.

CO-OPERATIVE INSURANCE SOCIETY LIMITED.

ESTABLISHED 1867.

CHIEF OFFICE: CORPORATION STREET, MANCHESTER.

BRANCH OFFICES: 50, CLARENCE STREET, GLASGOW; 12, SHANDWICK PLACE, EDINBURGH; WESTMORLAND ROAD, NEWCASTLE-UPON-TYNE; 65, SUNBRIDGE ROAD, BRADFORD, YORKS.; 53, QUEEN STREET, CARDIFF: AND 4, SOUTHAMPTON ROW, LONDON, W.C.

Manchester, _____ _____ 190

M _____ _____ _____ _____

having proposed an Insurance from Loss by Fire for £ _____ *as follows, viz.:—*

_____ _____ _____ _____

_____ _____ _____ _____

_____ _____

_____

The said property is hereby held Insured, subject to the usual Conditions of the Policies of the Society, until the Policy is prepared, or notice given that the proposal is declined; and if such notice be given, the Society's liability will immediately cease. In any case this protection does not extend for more than eight weeks from the date hereof.

Cancelling _____

Agent _____

Manager, Fire Department.

F. 2.

THE CO-OPERATIVE INSURANCE SOCIETY LTD.

Conditions Attached to a Policy of Fire Insurance.

1.—Any material misdescription of the Property expressed to be hereby insured, or of any Building or Place in which such Property is contained, or any misrepresentation of, or any omission to state, any fact material for estimating the risk, whether at the time of effecting the insurance or afterwards, or any misstatement in connection with the proposal, render this Policy void.

2.—If, after the insurance has been effected, the risk be increased from any cause whatsoever, or if any Property hereby insured be removed from the Building or Place in which it is described as being contained, without in every case the assent or sanction of the Society, signified by endorsement hereon, the Insurance as to the Property thereby affected is void.

3.—This Policy does not cover—

Deeds, Bonds, Bills of Exchange, Promissory Notes, Money, Securities for Money, Stamps, or Books of Account.

Gunpowder or other Explosives.

Goods destroyed or damaged while undergoing any process by which the application of artificial heat is necessary.

Nor, unless specially mentioned,

Property held by the Insured in trust or on commission.

Jewels, Medals, Curiosities, Manuscripts, Prints, Paintings, Drawings, Sculptures, Patterns, Models, Plans, or Designs.

Nor Loss or Damage by Fire occasioned by or in consequence of

Invasion, Foreign Enemy, Rebellion, Insurrection, Riot, Civil Commotion, or any Military or Usurped Power whatsoever.

Earthquake, Volcano, or Subterranean Fire.

Explosion, except loss or damage caused by explosion of Illuminating Gas, elsewhere than on premises in which Gas is manufactured or stored.

Nor Loss or Damage to Property occasioned by its own fermentation or Natural Heating.

Nor Loss by Theft during or after a Fire.

4.—This Policy ceases to be in force as to any Property which shall pass from the Insured to any other person otherwise than by will or operation of Law, unless notice thereof be given to the Society, and the subsistence of the insurance in favour of such other person be declared by a memorandum endorsed hereon by or on behalf of the Society.

5.—On the happening of any Loss or Damage the Insured shall forthwith give notice thereof in writing to the Society, and within thirty days, or such further time as they may allow, deliver a statement in writing, with all particulars and details reasonably practicable of the Property affected and the value thereof, and of the Loss or Damage, and (if the insurance be subject to average) of all other Property covered by the Policy. In support of such statement the Insured shall furnish all such vouchers, proofs, explanations, and other evidence as may be reasonably required by the Society, together with a statutory declaration, if required, in verification of the statement.

6.—If the claim be in any respect fraudulent, or if any false statutory declaration be made or used in support thereof, or if the Fire be occasioned by or through the procurement or with the knowledge or connivance of the Insured, all benefit under this Policy is forfeited.

7.—The Society may, at their option, reinstate or replace the Property Damaged or Destroyed, or any part thereof, instead of paying the amount of the Loss or Damage in money, or may join with other Insurers in so doing. Reinstatement effected as nearly as reasonably practicable to be deemed sufficient, notwithstanding that the former appearance and condition of the Property may not be precisely restored. If the Society elect to reinstate or replace, the Insured shall furnish to them when required all such plans, specifications, and information as may be deemed necessary or expedient for the purpose.

8.—On the happening of any Damage by Fire to any Building or Place, or Property, or effects within any Building or Place in respect of which a claim is, or may be, made under this Policy, the Society, without being deemed wrongdoers, may, by their authorised Officers and Servants or others, enter into, and for a reasonable time remain in possession of, such Building or Place, Property or effects, for all reasonable purposes relating to, or in connection with, the Insurance hereby effected, and this Policy shall be evidence of leave and license and authority for that purpose. Any obstruction or interference by the Insured shall avoid the Policy.

9.—If at the time of the Loss or Damage there be any other Insurance, effected by the Insured or by any other person, covering the Property affected by the Fire,

(*a*) This Society shall not be liable to pay more than their ratable proportion of the Loss or Damage.

(*b*) And if such other Insurance be subject to average, and applies solely to Property which is in and subject to the same risk only as the Property covered by this Insurance then this Insurance shall be subject to average in like manner.

10.—All differences arising out of this Policy shall be referred to the decision of an Arbitrator, to be appointed by the parties in difference, or, if they cannot agree upon a single Arbitrator, to the decision of two Arbitrators, one to be appointed in writing by each of the parties; or, in case of disagreement between the Arbitrators, to the decision of an Umpire, to be appointed in writing by the Arbitrators before entering on the reference; and unless and until an award has been made the Society shall not be liable for any Loss or Damage, and such award shall be a condition precedent to any liability of the Society or of any right of action against the Society in respect of such claim.

11.—In all cases where this Policy is void, or ceases to be in force, all moneys paid to the Society in respect thereof will be forfeited.

12.—Any Warranties to which the Property insured or any item thereof is, or may at any time be made subject, shall attach and continue to be in force during the whole of the currency of the Policy; and notwithstanding Condition No. 2, non-compliance at any time with any Warranty shall be a bar to any claim in respect of such Property or item.

MEMO.—The term Loss or Damage by Fire used in this Policy is intended to include Loss or Damage caused by Lightning.

Renewal Premiums must be paid annually, within fifteen days after the expiration of each year, or the Insurance will be void.

EMPLOYERS' INDEMNITY POLICY.

THE CO-OPERATIVE INSURANCE SOCIETY LIMITED.

Estimated Amount of Wages Salaries and other Earnings £ : : *Premium £ : :*

WHEREAS .....

(hereinafter called "the Insured") of .....

carrying on the business of .....

and no other for the purposes of this Insurance has paid the sum of.....

pounds.....shillings and.....pence, in respect of premium to THE CO-OPERATIVE INSURANCE SOCIETY LIMITED (hereinafter called "the Society"), and delivered to the Society a written proposal and declaration containing certain particulars and statements which it is hereby agreed shall be the basis of this contract and be considered as incorporated herein:

NOW THIS POLICY WITNESSETH that in consideration of the payment to the Society of the above-mentioned Premium (which Premium is subject to adjustment as hereinafter provided) for the following Indemnity from the .....day of.....190 to the.....day of.....19 both dates inclusive:

IT IS HEREBY AGREED that if at any time during the said period, subject to the Receipt of Premium as provided in the Conditions hereunder, and during the continuance of this Policy by renewal, any Employé in the Insured's immediate service shall sustain any personal injury by accident or disease as described in the Third Schedule to the Workmen's Compensation Act, 1906, while engaged in the service of the Insured in work forming part of, or process in, the business above-mentioned, and in case the Insured shall be liable to make compensation for such injury either under the Fatal Accidents Act 1846, the Employers' Liability Act 1880, the Workmen's Compensation Act 1906, or at Common Law, the Society shall indemnify the Insured against all sums for which the Insured shall be so liable, and will in addition be responsible for all costs and expenses incurred with its consent in defending any claim for such compensation:

PROVIDED ALWAYS that the due observance and fulfilment of the conditions of this Policy, which conditions are to be read as part of this Policy, shall be a condition precedent to any liability of the Society under this Policy.

CONDITIONS.

1. Every notice or communication to be given or made under this Policy shall be delivered in writing at the Head Office or any Branch Office of the Society, and the Insured shall give notice to the Society of any accident or disease covered by this Policy as soon as practicable after the accident or disease or any incapacity arising therefrom comes

to the knowledge of the Insured, or of the Insured's representative for the time being, and shall forward to the Society forthwith, after receipt thereof, every written notice or information as to any verbal notice of claim and all proceedings.

2. The Insured shall not incur any expense litigation or otherwise or make any payment settlement or admission of liability in respect of any injury for which the Society shall be liable under this Policy without the written authority of the Society. The Society shall in respect of anything insured under this Policy be entitled to use the name of the Insured, including the bringing, defending, enforcing or settling of legal proceedings for the benefit of the Society. The Insured shall give all necessary information and assistance and forward all documents to enable the Society to settle or resist any claim as the Society may think fit, and the Insured shall take reasonable precautions to prevent accidents, and to comply with all Statutory obligations.

3. The first Premium and all Renewal Premiums that may be accepted are to be regulated by the amount of wages and salaries and other earnings paid to Employés by the Insured during each period of Insurance. The name of every Employé and the amount of wages salary and other earnings paid to him shall be duly recorded in a proper Wages Book. The Insured shall at all times allow the Society to inspect such Books, and shall supply the Society with a correct account of all such wages salaries and other earnings paid during any period of insurance within one month from the expiry of such period of insurance, and if the total amount so paid shall differ from the amount on which Premium has been paid the difference in Premium shall be met by a further proportionate payment to the Society, or by a refund by the Society as the case may be.

4. Unless specifically included by endorsement hereon the indemnity granted under this Policy or any renewal thereof shall not apply to the Insured's liability to Employés in the employ of Sub-Contractors to the Insured. The Society shall not be liable in respect of any accident or disease occurring before the actual receipt of the Premium by the Society or its authorised Agents, or in respect of any accident or disease occurring after the date of expiry and before the actual receipt of the Premium for renewal.

5. Should any difference arise between the Society and the Insured as to the extent or meaning of this Policy or as to any obligation or liability hereunder, it is hereby agreed that the same shall be referred to the decision of a neutral person under the provisions of the Arbitration Act 1889, the Arbitration (Scotland) Act 1894, or such other Arbitration Act as may at the time apply to such difference, and it is expressly stipulated that the obtaining of an Award by such Arbitrator shall be a condition precedent to any right to recover by legal proceedings.

PROVIDED ALSO that this Policy is issued out of the Accident Branch of the Society, and the Accident Insurance Fund together with the Share Capital and General Reserve Fund of the Society shall alone be answerable for any claims under this Policy.

IN WITNESS WHEREOF this Policy has been signed at Manchester BY ORDER OF THE DIRECTORS this..... day of—.....one thousand nine hundred and.....by

.....

W. 3. *Manager, Accident Branch.*

THE INSURED SHOULD CAREFULLY READ THIS POLICY, TOGETHER WITH ANY CLAUSE ENDORSED HEREON.

COLLECTIVE ASSURANCE POLICY.

THE CO-OPERATIVE INSURANCE SOCIETY LIMITED.

THIS POLICY OF ASSURANCE WITNESSETH that the.....
.....
(hereinafter called "the Society") whose Registered Office is at.....
.....
in the County of.....has proposed to effect with THE CO-OPERATIVE INSURANCE SOCIETY LIMITED (hereinafter called "the Assurer") an assurance to provide as aftermentioned for each member of the Society who shall die during the currency of this Policy a sum equal to four shillings in respect of each £1 of his or her average recorded purchases such sums assured not exceeding in the aggregate the total of.....
.....

And the Society has paid the sum of.....
.....which is equal to the aggregate of one penny in respect of each £1 of all individual members' recorded purchases during the period included in the last Balance Sheet issued by the Society before the date hereof being the premium for the assurance by this Policy for.....beginning at 12 p.m. on the....
.....day of.....and expiring at 12 p.m. on the.....day of.....

NOW THESE PRESENTS WITNESS that if any individual member of the Society whose purchases to any extent were recorded in the year ended on the day of his or her death shall die during the currency of this Policy then the Assurer on proof to the satisfaction of its Directors of such death within such term and of the correctness of the statements of annual purchases by the deceased member and of the computation of the sum payable as a claim will remit to the Society for payment to the Representative in Interest of such deceased member a sum equal to four

shillings in respect of each £1 of average annual purchases by such member recorded in a term of consecutive years ended on the day of his or her death such average being computed as follows, viz. :—

When death occurs at any age not exceeding sixty-three years the average annual purchases are one-third of the purchases in the last three years, at age sixty-four one-fourth of the purchases in the last four years, at age sixty-five one-fifth of the purchases in the last five years, at age sixty-six one-sixth of the purchases in the last six years, at age sixty-seven one-seventh of the purchases in the last seven years, at age sixty-eight one-eighth of the purchases in the last eight years, at age sixty-nine one-ninth of the purchases in the last nine years, at age seventy or over one-tenth of the purchases in the last ten years.

When the period within which a member's recorded purchases have been made is shorter than the average term (as above) applicable to his or her age at death the sum assured *in case of death by accident* will not be less than four shillings in respect of each £1 of his or her purchases recorded in the year ended by his or her death.

And the receipt for each such payment signed in each case by the Representative in Interest shall be returned by the Society to the Assurer within seven days.

PROVIDED ALWAYS that this Policy is issued out of the Assurer's Collective Life Assurance Branch and the Collective Life Assurance Fund together with the Share Capital and General Reserve Fund shall alone be answerable for any claim under this Policy.

PROVIDED ALSO and it is hereby expressly declared and agreed that this Policy is issued subject to the conditions (if any) endorsed hereon and to the rules of the Co-operative Insurance Society Limited as the same were registered on the 11th day of March 1899 and as the same have been thenceforth modified up to the date hereof which shall have the same force and effect as if they were incorporated in full herein.

AND BE IT FURTHER PROVIDED that in the event of any dispute between the Society and the Assurer respecting this Policy the same shall be referred to the Secretary for the time being of the Co-operative Union Limited whose decision shall be final and binding on all parties to the dispute.

AS WITNESS WHEREOF this Policy has been signed at Manchester BY ORDER OF THE DIRECTORS this.....

day of.....one thousand nine hundred and.....by

Entered by ....

Examined by..... *Manager, Life Department.*

SCHEDULE OF INSURANCES UPON PROPERTIES.

All these policies expire on Ladyday.

Identification of Property.	Buildings.			Machinery.			Fixtures.			Stock-in-Trade.		Reference No.	Policy No.	Annual Premium.	Reference to Renewal Receipt.
	Expended.	Nominal Value	Insured.	Expended.	Nominal Value.	Insured.	Expended.	Nominal Value	Covered.	Average Value	Insured.				

CHAPTER XXVIII.

Expenses—Departmental Apportionment.

A Plea for Uniformity.

It will be acknowledged without question by the reader who has had a long varied and practical experience as the secretary of a society of any size in the movement, that to lay down a plan for the allocation of expenses to departments and shops which might be treated as one for universal acceptance would be an achievement that only unlimited courage and confidence would dare to attempt; and yet to evade the task of dealing adequately with the question would make a manual for the use of secretaries undeniably incomplete. A general form of balance sheet built up in a manner approaching uniformity cannot be realised at once; yet societies, by the evolution of events, and the exchange of views, guided by expert co-operative knowledge, are much nearer that consummation than would have been dreamed of in past years. Specialised training and specialised classes for employés under the controlling hand of the Co-operative Union are assisting to direct thought and opinion towards the observance of fundamental principles of co-operative book-keeping, freeing it from local prejudices and leanings, without the ruthless destruction of long-treasured traditions, and the tearing-up of time-honoured precedents. With the spread of co-operative education there has been a broadening of views, the elimination of the narrow-minded and the faddist, and a disposition to "think imperially" with regard to co-operative methods. Yet the secretary is often held back by the inability of the members to keep pace with the times. They are accustomed to

certain forms of accounts, and particular methods of treatment. They fail to grasp immediately and without heartburning any maturer view of procedure, routine, or method; and it is feared that this often applies to the committee, whose more intimate knowledge of the inner workings might be supposed to guarantee a more enlightened judgment. Yet there is much to be said in their justification. The distributive society is not a depôt for the distribution of one class of commodity. It is a cosmopolitan group of businesses under one controlling body, and it might be safely said that no better proof of the innate wisdom or honesty of purpose of those who, on behalf of the members, stand in the position of employers can be vouchsafed than in the fact that success of such a sound and enduring character has been attained. Though uniformity of plan in the structure of co-operative balance sheets is being approached in a slow but sure fashion, yet, on the other hand, the questions underlying the apportionment of expenses still demand much denial of personal predilection on the part of the secretary. Many men have many minds; and many societies have many local customs, manners, and circumstances peculiar to themselves. Even in this particular line of thought and argument, however, with which the secretary is more nearly concerned, and regarding which, on account of technical knowledge, his opinion is more particularly relied upon, certain fundamental rules are gradually being accepted, and upon these rules we may be allowed, if possible, to lead the reader to a logical conclusion, without attempting to destroy his personal views or leanings, and upon this basis of thought, and in this light of explanation, the arguments set forth in this chapter must be judged. The general circumstances of societies in many senses are similar, in spite of the strictures which local observances and environment place upon them; and we may hopefully look forward to the time when experience will be so codified as to give reasonable uniformity of detail, without destroying liberty of action or originality of thought; and the outcome will be to give comparisons

of experience and results, which will be of a general educative and critical value.

Threefold Classification.

In a distributive society, the fundamental idea of the business is to act as a depôt for distribution; that is to say, to buy in bulk quantities at wholesale prices and distribute them in small quantities at retail prices to the members. Consequently, in the apportionment of expenses, it is necessary for purposes of comparison that all charges which are in their nature other than the actual cost of distribution should be separated from those that are purely distributive, only the latter being the guide for the comparison of the experience of one distributive depôt with that of another. It might be suggested in this connection that carting expenses, or the expenses of the stables, horses, vehicles, and carters, should be considered under the head of distribution. There are, however, three adequate reasons why, in a distributive society, these should be separately defined. To include them as distributive charges would be to affect the distribution so materially as to give no valuable basis of comparison, inasmuch as societies vary in their method by which, and extent to which, goods are delivered by them to members at their homes instead of at the shop, such a course depending largely upon local custom, and even upon the situation of the shops and the geography of the district. Again, there is the difficulty in distinguishing the cartage charge arising from the carriage of the goods in the society's own lorries from the station to the warehouse, or from the warehouse to the shop, from that which results from the distribution, or the delivery from the shop to the customers. Thirdly, the shop is the place of delivery,* and if special conditions are annexed to the contract of sale,† such as delivery at the residence of the purchaser, it is in effect the transference of the distributing depôt to the customer's house, the expenses of carting being actually a

* See page 165. † See page 166.

portion of the cost of the goods in the manner of carriage. Under the third class is the expense of production, which is that portion of the expenditure which is chargeable upon the productive departments for producing the goods which otherwise would be purchased at wholesale prices, which, of course, includes the cost of the production, before the distributive charge is annexed.

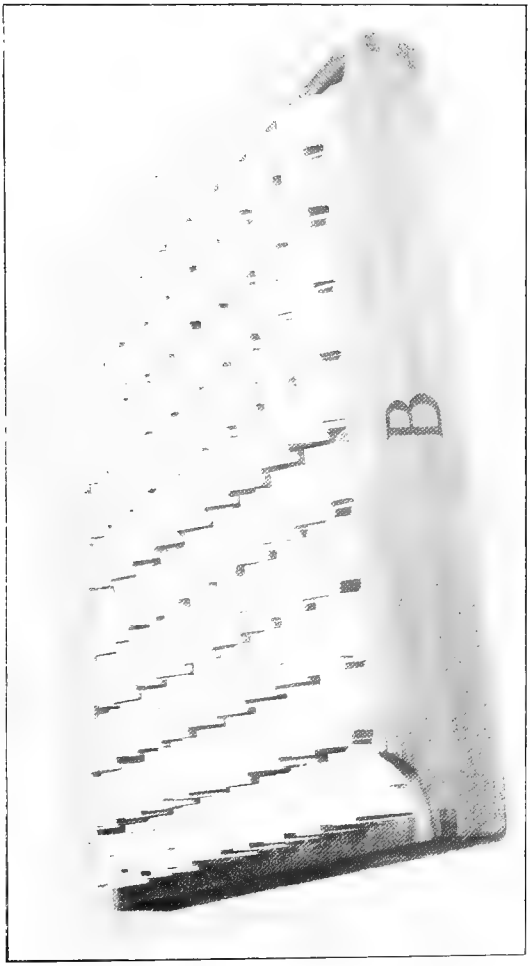
Carting Expenses.

Cartage includes not only the horse keep, the cost of grazing, the repairs to rolling stock, the veterinary fees, and saddlery, but also a rental charge to cover the rent and upkeep of the stables (whether owned or rented by the society) and the wages of the carters expended in carting and not in distribution; that is to say, distribution as salesmen, and not as carters, as in the milk and coal departments and the van round of the bakery.* In the same way as the cartage of a distributive department might be contended to be distributive,† so also in the productive departments, including the farm, carting expenses might by many be regarded as productive; yet it is better, for reasons already given, to treat all carting charges separately, whether for productive or distributive departments (a special column in the trade account‡ being allotted for the purpose). Thus a comparison of carting charges (as well as the productive and distributive) is obtained, which is of the more critical value. In ascertaining the percentage of oncost for the costings of productive departments the cartage is included with the productive expenses, the productive wages being deducted.§ In a productive society all carting expenses can safely be treated as productive, as they are part of the establishment expenses or oncost; therefore no comparative value is obtained by their separation, except where the business of merchanting is also combined with production, as in the case of the Wholesale Societies.||

* See page 249. † See previous page. ‡ See page 580.
§ See page 260. || See page 176.

"FIELDING-WOOD" SYSTEM.

Check Tray.



The Check Tray, showing partitions representing printed book numbers BI BIOO; also machine-numbered cards indicating the share number of the member the checks from whose book occupies the partition.

(Kindly lent by the Co-operative Printing Society Ltd.

Productive Expenses.

We have stated in the previous paragraph that all the expenses of a productive society are treated as productive. In a distributive society, however, the productive departments act as feeders to the distributive departments, the production merely replacing the goods which would otherwise have to be bought from other productive concerns at wholesale prices. The productive operations, therefore, should be clearly separated from the distributive depôt, and the expenses will be similarly treated. The productive charges are those which enter into the cost of manufacture. They are the wages, the earnings of labour, which constitute part of the prime cost of the work, whether on special or stock jobs. These particulars are obtained from the weekly wages notes, which are duly analysed in the wages book* and are charged directly to the departments concerned. The difficulty met with in the distributive society which conducts the business of manufacture is in the ascertainment of the proportion of the establishment expenses which are chargeable as oncost to the productive departments. This charge is in two forms—the rental assessment, to cover interest and depreciation upon the property, machinery, and fixtures allotted to each department, and the interest upon the capital invested in the shares, &c.; and a proportion of the general charges, varying according to the output of the department, which resolves itself in the transfers.† It will be presumed that the total general charges of the society are heavier on account of the introduction of productive operations, or, if they have not increased in proportion to the increased trade and profits, it is on the ground, generally accepted in principle and proved in practice, that a much greater quantity of goods can be turned over on the establishment charges, which have increased in a much lesser degree. A separate column is provided in the trade account of a distributive society for the productive expenses, and as all the output of productions

* See page 345. † See page 580.

should be made by transfer to the distributive departments, no expenses of production will appear under the items allotted to the distributive warehouses or shops. The exception is in the case of the butchering department. Here the slaughter-house is treated as productive* and the shops distributive. On account of the nature of this class of business, many societies do not give a separate line in the trade account to the slaughter-house, its debits and credits being embodied in the items referring to the central butchering shop, to which it is annexed. Yet we see no reason for not dealing with the slaughter-house in the same manner as the grocery, &c., warehouses.† In any case, the productive expenses‡ (which include the wages, the rental charge, and the butcher's market expenses§) are apportioned *pro rata* over all the butchering shops, and entered in the productive column of the trade account. It may be observed that even after this has been done, as the purchases are debited to the central shop, and the credit, so far as the slaughter-house is concerned, is limited to the sales of hides, skins, and offals, and the transfers to all the selling depôts (the transfers from slaughter-house to the central shop having sunk through the fact that the two departments have been merged), the "central" will have the advantage or disadvantage of the gross surplus or leakage of the slaughter-house as per the weekly cost accounts.|| This difference should be obtained therefrom and allocated upon the proportions of the transfers prior to being entered into the transfers column of the trade account.¶ Where the slaughter-house has a separate line allotted to it, the total productive expenses are debited under this head, and the difference between the credits and the debits will not be shown as a loss or leakage on the slaughter-house, but will be deducted *pro rata* from the transfers, as in the case of the grocery warehouse.** The distributive expenses will be

* See page 265. † See page 189. ‡ See page 269.
§ See page 533. || *Ibid.* ¶ See page 580.
** See page 250.

allocated to the shops and not to the slaughter-house, whichever method is preferred.

Distributive Expenses.

The expenses now shown of the productive and carting charges show whether the society as a whole, and the departments and shops in detail, are being worked economically and efficiently, so as to prevent the gross profit between wholesale and retail prices being reduced in the distribution of the goods so as to unduly penalise the net profit returnable to the members as dividend upon their purchases. For this reason the distributive expenses and the net profit in the trade account* are calculated at their rate per £ on sales, closely corresponding to the method by which the dividend is calculated. These rates, added together, give the rate of the gross profit of each distributive department, at once showing the average percentage put upon goods (after deduction of leakage†) to cover the expenses and dividend. The profits or losses upon the productive departments will enhance or reduce the "total" rates, these results being similar in nature to the purchase of the productions at higher or lower prices than those at which they were transferred, that is to say, they represent profits or losses on purchases and not on sales.‡ It should be pointed out again at this stage that the object of a distributive society is to distribute goods at retail prices, and therefore it is upon the rates of distributive expenses that the criticism of members is chiefly concentrated, and upon which comparisons with other societies are made. In other words, productive departments are only adjuncts to distribution, and should be treated in such a manner that the charges to those which are distributive should constitute what would be the actual experience if the whole quantity of the goods was bought in the required distributable state, and not produced or manufactured, in which case all the expenses, excluding carting, would be purely distributive.

* See page 580. † See page 240. ‡ See page 482.

The Discrimination of Expenses.

In order to arrive at the three-fold general classification of expenses (carting, productive, and distributive), the nature of the various items of the expenses account should be carefully considered. Expenses are treated either as direct or indirect charges, or partially directly and indirectly. For instance, wages can be expeditiously charged directly to the departments to which they refer, as there is known from the wages book* the exact amount expended upon each department, but the salaries of the office or general manager cannot be thus directly dealt with, as it is impossible to adequately divide them according to the time spent upon each in the supervision, administration, or management of affairs, or the recording of their operations. To arrive at the final classification under the three main heads referred to, and sub-divide them under departmental headings, a departmental apportionment is prepared, which is in two sections. Section A† is termed the discrimination account, and section B‡ the allocation account. In section A the expenses account is set forth in detail, and its items are discriminated as between direct charges and indirect charges. Here, perhaps, lie the chief points of controversy between secretaries. Each direct charge is a special penalty attached to a particular department, and reduces to this extent the sum of the indirect charges, at the same time relieving all the departments of their share of these expenses *pro rata*. Yet we might be so bold as to lay down a fundamental principle as a basis for uniformity, namely, that no charge shall be made directly against a particular department which it is not within the power of that department to control, in relation to the sales or work done, by reasonable personal efficiency and economy. Cartage, so far as the question of discrimination is concerned, is treated as a self-contained department, and certain expenses are treated directly as to the carting department, as will be seen in section B of the apportionment account. Direct charges

* See page 345. † See page 541. ‡ See page 542.

will therefore be the wages of the departments, including carting wages but not those of the office, as wages depend upon the skill and efficiency of the shopman reflected in the sales; the coal and coke of the bakery, as the percentage expended depends upon the personal economy and skill of the baker; the market expenses of the butchering manager, as this expense is allowed with a view to enable him to use his personal skill in buying, and thus "make" his expenses; the repairs to coal wagons, over which the coal manager has direct supervision; the farm repairs, the amount of which will reflect the care and skill of the farmer; and the horse provender, horse expenses, and repairs to rolling stock, as they depend largely upon the control and careful supervision of the carters. Depreciation on horses and rolling stock are also directly charged to the cartage department, for though its rate is fixed by rule, this method of dealing with depreciation is the only reasonably practical plan of obtaining for balance sheet purposes the amount of depreciation, which is varied by the care and skill with which the horses are looked after and the vehicles are used, and the cartage department has the advantage when their capital expenditure is extinguished if their capacity for use remains intact. The remainder are treated as indirect expenses, which are sub-divided under two heads—the rental and the general charges. The rental charges are those which would be resolved in rent if the property used was not owned by the society,* or in the case of societies with productive departments, as if the society's relation to the departments was that of a room and power concern. The expenses denominated as rental are rates and taxes,† insurance,‡ repairs,§ interest,|| and depreciation.¶ Heating, light, and water are also generally accepted as being of a character requiring entry under this head. The remainder are entered in the general charges column, as they are of the nature of establishment expenses, whether eventually allocated to productive or distributive departments. They

* See page 500. † See page 499 and 502. ‡ See page 508.
§ See page 470. || See page 478. ¶ See page 483.

are chiefly the salaries of the office and the general manager, the fees of the committee, stocktakers, and auditors; deputations and travelling; printing, stationery, and postages; telegrams, telephone rent, and trunk fees; subscriptions to the Co-operative Union and other regular subscriptions to affiliated bodies which are concerned in co-operative education and propaganda, indirectly assisting the objects of the society after the manner of advertising; and incidentals, sundries, and petty cash expenses, incapable of regular classification. It is, however, noted that the balance of the expenses account is obtained after certain *contra* items have been credited. These are chiefly as follows, being deducted from the discrimination columns according to their nature. Receipts from the sale of rules and pass books, being returns on the printing account, are credits to general charges; so are nomination, transfer, and survey fees,* as they are credits to the wages, stationery, and other expenses spent upon the nomination, transfer, or deputation. Rents and receipts for the hire of the hall are deducted from the rental charges, and the same applies to income from investments and the bank account, as they are credits to the interest payable to the members upon the borrowed capital. If, however, an investments revenue account† is embodied in the balance sheet, the credit to the expenses account will be the interest debited to the former account for the same purposes (deleting the profit and loss on investments from the latter), and this charge will be a deduction from the rental column.‡ Dividend received by or credited to a society by printing and insurance societies are deferred discounts on the printing and insurance accounts, and not on the trade, and will therefore have been credited to expenses account,§ and these amounts will be deducted

* See page 117, *re* entrance fees.

† See page 576; also "Co operative Book-keeping," page 306.

‡ Where the investments are in cottage property 5 per cent upon the gross rentals will be debited to the Investments Revenue Account, and credited to expenses for the cost of collection, stationery, &c. This will be deducted in column 4 of the Discrimination Account.

§ See page 578.

from the general or the rental charges, accordingly as they are for printing or stationery, or for insurance. Receipts for cartage services, if a charge is made to members for delivery of goods, and not taken as included in the selling prices, are deductions from the direct charges to the carting department. The total column will now agree with the expenses account balance, which will also agree with the cross addition of the discrimination columns.

The Allocation Account.

Having carefully discriminated between the direct, rental, and general expenses, there now lies before the secretary the duty of allocating the same to the departments and the shops, and he will be alive to the fact that errors in principle or alterations of principle will misguide comparison between the experience of previous and future periods, as well as affecting materially the criticism upon the management, whether on general or particular grounds. An examination of section B* of the departmental apportionment account will show that there are seven columns, which for easy reference are indicated by letters (*a*)-(*g*). The direct charges are sub-divided in two columns indicated (*a*) and (*b*), (*a*) being the wages,† and (*b*) the other direct charges to departments as shown in the form. Thus the totals of these two columns will agree with column (2) of the discrimination account. Columns (*c*) and (*d*) are the rental charges, the total of which is given in column (3) of the latter account. And the same agreement will be noted with regard to the "general" column in both sections of the apportionment account. In column (*f*) will be entered the cross totals of the direct and indirect charges, and will agree in total with the balance of the expenses account, which is also the total of column (1) of the discrimination account. The net charges have now been obtained both in productive and distributive allocation and to the cartage department. The carting expenses may now be allocated in column (*g*).

* See page 542.

† Obtained in analysis from the wages book. See page 345.

Rental, General, and Cartage Assessment.

The departmental charge for the indirect charges under rental (column 3 of section A) is one requiring careful consideration. Two principles are embodied in the allocation, (*a*) the charge for the use of the premises, and (*b*) the interest on the stock or stores, required for the purpose of the distribution or production, for this charge represents the interest upon the capital invested therein for which the society has to pay interest. Where credit is given* there is also the interest upon the outstanding debts—another capital outlay. It is unnecessary to allocate separately this particular expense to the shops, but the allocation should be in departments, that is to say, grocery, drapery, butchering, &c., the sub-division for the shop charge being made when the general expenses are added, as will be seen later. The theory upon which this usage is built is that the several shops of one department should be upon the same basis as regards interest upon stocks, debts, and the rental charge, as all expenses other than those charged direct are, practically speaking, considerations independent of the efficiency of the shop itself, for one shop may require for purposes of an equal trade a greater supply of grocery articles as distinct from provisions; that shops further from the central require a greater amount of stock, and that the amount supplied depends upon the manager rather than the shop-assistant. It might be asked with reason why the total interest is not thrown into general expenses, but it will be observed that as the stocks of departments (such as grocery and drapery) vary according to their nature in their relation to turnover,† a departmental allocation is the more equitable. The interest on stocks and debts is generally taken at the average rate paid upon capital,‡ the balances to end being a sufficient guide, as well as an incentive to the shop managers to reduce them by sales or collection, as far as possible, at the end of the balancing period. The interest on stocks charged to the cartage department is taken upon

* See page 387. † See page 215. ‡ See page 68.

the nominal value of the rolling stock and horses, as this factor is not taken into account in making the rent charge.* The expenses of each departmental warehouse are separately defined as "grocery general," "drapery general," &c., there being the twofold rental charges and the wages, where an actual warehouse is instituted, with a warehouseman in charge. Whether a warehouse is used or not,† the rental charges are entered against it for allocation to the shops in general expenses.‡ The warehouse, as such, has no expenses charged to it in the balance sheet on the ground that it has no opportunity of making profit, being a departmental depôt for a class of distribution decentralised among the shops allotted to the department. In point of fact, as has been shown previously,§ as the transfers are for practical reasons made at invoice prices, there is a loss accruing to the warehouse for carriage, less discounts and dividend; also the portion of the leakage which has been centralised.‖ As the warehouse is a convenience for the shops, and the extent to which leakage which has been centralised would otherwise have been borne by the shops, there is good reason for giving the warehouse credit for, and debiting the shops with, the warehouse loss, by adding the same to the total transfers in proportion to the invoice value of the goods transferred.¶ Where the central shop acts as the warehouse, this department should be credited through the transfers with a percentage to cover the carriage (less discounts and dividend on purchases) and the warehouse leakage, if the central shop centralises any portion of it, such as bagging sugar or flour. In the same way a proportion of the chief salesman's wages should be charged to "general" to cover his services in supervising the transfers. This will be found to remedy the unfair increased rate of expenses, or reduced rate of profit, in the central, arising through the central shop acting as the warehouse from which the transfers emanate. Turning again to the allocation account, we note

* See page 533. † See page 183. ‡ See page 542.
§ See page 251. ‖ See page 240. ¶ See page 257.

that the rentals must now be defined. We have already charged a portion of this total as interest on stocks and debts, and the balance will represent the use of the premises, machinery, and fixtures, and their maintenance. There are two methods by which the rental is fixed. The first is upon the income tax assessment,* but this is often inequitable,† and not made in a manner consonant with the division required for apportionment purposes. For instance, where a grocery and drapery shop occupy the same building, the assessment will probably be taken at an amount covering the whole of the premises. The preferable plan is to ascertain the cubic capacity occupied by each department, taking together the set of shops belonging to such department.‡ These charges are subdivided against the shops according to the sales. The farm rental is perhaps the most difficult to equitably estimate. If the farm is rented and not owned, it should be fixed at the amount of rent paid, less the rental of the stable accommodation, and will also include the depreciation and interest upon the tenant right,§ and other additions to fixed stock. If the farm is owned, it will be arrived at upon a basis of consideration after taking into account the interest on the capital value of the land and the farm buildings (excluding stables) and the depreciation thereon. The cartage rental will be simply on the basis of the cubic capacity of the stables, this measurement being halved in ascertaining the ratio of all the departments to each other. The total of the rent column less the farm rent will now be divided according to the method given above, and the proportion allotted to the office premises, hall, &c., will be entered opposite the item "Establishment rental." The rent charges thus ascertained may now be stereotyped, the only elastic amount being the establishment rental, which will vary according to the increase or decrease of the rental charges of each balancing period. As the

* Or rateable value (see page 499). † See page 506.

‡ Back premises are usually taken at a half proportion, except where machinery is used, such as in a productive department.

§ See page 276.

rental column of the discrimination account varies in amount, especially where depreciation is based upon nominal values,* or general repairs are not equalised,† and are spasmodic in amount and character, the difference between the total of the fixed departmental rents and the actual rental experience will also vary. This is generally added to the general expenses, and any large inconsistency will necessitate a revision of the rental charges to meet the new phase of experience upon which the society has entered. In the productive departments, such as the bakery, it might be contended that the rental assessments based upon the cubic capacity is wrong in principle, as the premises used could be obtained in the market at a lesser rental than the grocery or drapery departments. A set-off corresponding for all practical purposes to this disadvantage is obtained by production in the fact that they carry a heavier capital value in machinery. The general charges are now distributed upon the basis of distributive sales and productive transfers, and these (as already shown) added to the direct charges and rental apportionment will give the net productive and distributive expenses to the productive and distributive departments respectively. The cartage must now be allocated,‡ and its apportionment is based upon the services rendered by the cartage department to each distributive or productive department, the shops of each department receiving their proportionate share upon the basis of sales. The proportions of services rendered are difficult to define. Careful statistics might be taken out for an average week, and the proportion of services on the basis of hours ascertained therefrom might then be stereotyped. To base upon sales is obviously unfair (except as between the shops of a department) on account of the productive departments, the farm, the milk and coal businesses. In the case of the farm, the carting expenses will be measured upon the hours spent in teaming or other services. In the milk departments, half the wages of the salesmen will have been

* See page 489. † See page 563. ‡ See page 527.

included in the direct charge to the cartage department, the other half taken as distributive; and the same will apply to coal in the case of those employés who sell the goods in cwt. bags. The assessment of the rental and other charges in particular, and the general basis of apportionment in general, are often fixed by the secretary in consultation with the auditor, and revised at suitable periods. Erratic changes in the dealing with certain classes of expenses render the departmental apportionment of little value for the purpose for which it was designed.

APPENDIX TO CHAPTER XXVIII.

DEPARTMENTAL APPORTIONMENT.

SECTION A. DISCRIMINATION ACCOUNT.

Particulars	Total.			Direct.			Indirect. Rental.			Indirect. General.		
	£	s.	d.	£	s.	d.	£	s.	d.	£	s.	d.
Wages	1307	4	9	1271	6	9	....			95	18	0
Fees and Deputations	14	4	6	....			....			14	4	6
Repairs—General	51	4	6	....			51	4	6	....		
,, Coal Wagons	2	10	6	2	10	6	....			....		
,, Farm	28	10	8	28	10	8	....			....		
Rent, Rates, and Taxes	51	2	2	....			51	2	2	....		
Insurance	18	9	1	....			18	9	1	....		
Heating, Light, & Water	43	7	8	....			43	7	8	....		
Coal and Coke—Bakery	14	2	0	14	2	0	....			....		
Printing, Stationery, and Postages	54	0	4	....			....			54	0	4
Telegrams and Telephone	2	2	6	....			....			2	2	6
Travelling	6	8	5	....			....			6	8	5
Butcher's Market Exp'n's	3	12	0	3	12	0	....			....		
Horse Keep	41	16	11	41	16	11	....			....		
Horse Expenses and Repairs to Rolling Stock	15	3	8	15	3	8	....			....		
Co-op. Union Subscript'n	3	17	6	....			....			3	17	6
Bank Commission	2	0	0	....			....			2	0	0
Sundries	2	1	8	....			....			2	1	8
Interest	249	6	6	....			249	6	6	....		
Depreciation	142	6	8	50	4	0	92	2	8	....		
	2113	12	0	1427	6	6	505	12	7	180	12	11
Less—												
Interest charged to Investments Revenue A/c	123	18	7	....			123	18	7	....		
Bank Interest	13	2	6	....			13	2	6	....		
Hire of Hall	10	0	0	....			10	0	0	....		
Commission — Insurance Agency	1	1	0	....			....			1	1	0
Rules and Pass Books Sold	1	2	6	....			....			1	2	6
Nomination and Survey Fees	3	18	6	....			....			3	18	6
Dividend on Purchases—Printing	0	12	6	....			....			0	12	6
Dividend on Premiums—Insurance	1	3	4	....			1	3	4	....		
Cartage Earnings	34	2	6	34	2	6	....			....		
Balance to Trade A/c	1924	10	7	1393	4	0	357	8	2	173	18	5
	(1)			(2)			(3)			(4)		

DEPARTMENTAL APPORTIONMENT.—SECTION B. ALLOCATION ACCOUNT.

	Direct Charges.		Indirect Charges.			Total.	Cartage.
	Wages.	Other Expenses.	Interest.	Rent.	General.		
DISTRIBUTIVE DEPARTMENTS.							
Grocery—Warehouse	20 3 8	..	10 3 0	84 0 0	*Less* 114 6 8	..	..
Central	68 9 6	..	..	..	109 5 7	177 15 1	15 1 7
Branch	37 17 2	..	..	..	67 16 6	105 13 8	8 7 10
	126 10 4	..	10 3 0	84 0 0	62 15 5	283 8 9	23 9 5
Drapery—Warehouse	12 7 8	..	50 3 0	20 0 0	*Less* 82 10 8	.	..
Central	78 8 5	..	..	..	86 13 4	165 1 9	3 2 6
Branch	52 0 3	..	..	..	32 12 9	84 13 0	1 4 2
	142 16 4	..	50 3 0	20 0 0	36 15 5	249 14 9	4 6 8
Butchering Central	18 7 7	..	0 12 0	8 0 0	6 8 5	33 8 0	2 9 0
Branch	14 19 8	..	0 9 0	7 0 0	4 17 2	27 5 10	1 17 0
	33 7 3	..	1 1 0	15 0 0	11 5 7	60 13 10	4 6 0
Boots and Shoes	42 10 0	..	6 4 0	8 0 0	10 11 3	67 5 3	0 10 0
Coal	79 2 8	2 10 6	0 12 0	6 10 0	11 6 0	100 1 2	101 15 2
Milk	45 3 6	..	..	6 10 0	8 12 11	60 6 5	58 7 6
Van	96 3 4	..	..	..	5 0 10	101 4 2	82 2 9
PRODUCTIVE DEPARTMENTS.							
Slaughter House	29 10 0	3 12 0	0 4 0	13 0 0	2 10 0	48 16 0	3 4 2
Baking	31 0 0	14 2 0	0 18 0	40 0 0	2 4 2	91 4 2	10 4 6
Tailoring	192 3 10	..	1 0 0	4 0 0	6 13 4	203 17 2	..
Dressmaking	87 4 5	..	1 0 0	5 0 0	6 15 10	100 0 3	..
Millinery	84 13 8	..	0 10 0	3 0 0	5 17 6	94 1 2	..
Boot Repairing	17 17 6	..	0 10 0	4 0 0	4 6 8	26 14 2	..
Farm	52 0 0	28 10 8	10 0 0	25 0 0	6 16 8	122 7 4	26 9 10
CARTING DEPARTMENT.	208 3 11	73 2 1	*21 10 0	12 0 0	..	314 16 0	314 16 0
ESTABLISHMENT RENTAL.	..	..	..	7 13 2	*Less* 7 13 2	..	(g)
	1271 6 9	121 17 3	103 15 0	253 13 2	173 18 5	1924 10 7	
	(a)	(b)	(c)	(d)	(e)	(f)	

* Interest on expenditure in Rolling Stock and Horses (see page 536).

CHAPTER XXIX.

The Investment of Surplus Funds.

Liquid Assets.

The power given by the Industrial and Provident Societies Act to issue withdrawable shares, a privilege peculiar to this class of concerns, has the effect of giving a larger capital income that should be necessary for the purpose of trade to invest in fixed assets; and such surplus capital, as already adumbrated,* should be invested in such a manner as to be available as cash at call to meet an excessive demand for withdrawals. The return of share capital to this extent is guaranteed, and further guarantees are provided in the fact that there is no necessity to issue loan capital (which would be a charge upon the assets prior to the share claims), or to raise money from the bank or other sources upon mortgage security, a power which would be especially useful to prevent suspension of payment in the case of panic or a sudden and excessive reduction of the purchasing power of the members through a strike or depression of the staple industry of the town. These surplus assets must be invested so as to give some return for interest, as a set-off to the interest paid upon it to shareholders. If deposited into the bank its return to revenue is inadequate, only a low deposit rate of interest being obtained.† There is also the co-operative obligation to the productive societies that depend upon the distributive societies for the capital necessary to their stability and their continued trading operations. As members of the Wholesale Society a certain amount of share capital must be taken up according to the membership which the distributive society possesses, and interest on such shares, and dividend on wholesale pur-

* See page 407. † See page 418.

chases accumulate automatically on loan, payable on short notice, which is a useful means of satisfying the wants of available capital.* All investments other than in fixed stock or certain floating assets such as stocks and debts, may be termed liquid assets or cash reserves† to the extent that they can be realised on comparatively short notice, and under this head may also be included mortgages upon property (if to the extent of two-thirds the value of the property), Government, colonial, and railway stocks, and investments of a kindred nature. It will be noted that the building up of funds also supplies additional available capital which may be invested in liquid assets, or the further requirements of the business in fixed assets. In either case the funded capital (on which there are no claims) gives a margin in value in the fixed assets beyond the claims of liabilities and share capital which is a guarantee of their repayment in full. Depreciation has the same effect to the extent that the assets are redeemed at a rate beyond the actual experience of their life, and gives a greater margin of value upon which mortgages may be obtained to return to the shareholders who desire to withdraw their accounts.

The Power to Invest.

The Act relating to co-operative societies carefully defines the powers conferred upon them as to investment of surplus funds, and the limitations imposed upon such investments. A registered society may invest any part of its capital *in or upon any security authorised by its rules*, and also in certain investments prescribed by the Act (section 38) *if the rules do not direct otherwise.* An abridged list of authorised investments is given in the Appendix,‡ as authorised by the Act and the Model Rules of the Co-operative Union, and societies should exercise extreme care in ensuring that their investments are in accordance therewith. A breach of the law in this connection, not only places upon the officers responsible for the breach the penalties imposed

* See page 115. † See page 408. ‡ See page 557.

CASH CENTRALISATION.

Wire and Railway Systems.

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PLATE XXXV

To face page 544

by the Act, but is a ground for cancellation or suspension of the registry of the society, that is to say, the taking away the privilege of limited liability. Some societies have been known to advance money on property, the only security being the deposit of the deeds, and an I.O.U. or promissory note under the hand of the depositor, in order to save the expense of a mortgage deed. *It cannot be too emphatically stated that this is illegal.* It is carrying on the business of banking, which cannot be done by a society with withdrawable shares, and only by a society with all its shares transferable *if power is taken in the rules for that purpose.* The rules of a society may provide for advances of money to *members* on the security of real and personal property, or if the society is registered to carry on banking business it may take such security as is customary in such business (section 40). The effect of section 40 is that though a society may invest (whether provision is contained in the rules or not) in mortgages of real and heritable security (whether the mortgagor is a member or not), but then only to the extent of two-thirds of their value, it may, by taking power in the rules, advance money to members only upon the security of leasehold as well as freehold property to any amount of their value (unless limited by the rules) so long as a written* mortgage is properly executed. A society can invest in any savings bank certified under the Trustees Savings Banks Act, 1863, or in a Post-office Savings Bank, if it is not chargeable with Income Tax† under the provisions of section 24 of the Act.‡ It may not invest in any shares in a society or company which has not been duly registered, that is to say, one without limited liability.

The Investments Capital Account.

It is customary to include in the balance sheet an investments account,§ which is tabulated under three headings—shares, loans, and loans secured. In this account is set forth in tabulated form the original cost value of the investment,

* See page 470 and footnote.

† See page 90. ‡ See page 507. § See page 574.

the depreciation* written off through the reserve fund, the interest accrued during the balancing period, the dividend on purchases declared, the cash remitted, and the value of the asset at the balancing date. A column is supplied for the transfer from shares to loans in those cases where the rules of the society in which the capital is invested permit the transfer.† The secretary should carefully preserve the securities for loans and mortgages; also the scrip for shares or the pass books, as the case may be, in which they are recorded; in the latter case sending the books to be written up at methodical intervals. He will also see that a proper loan agreement‡ has been executed for ordinary loans, and that the loan capital is in accordance with the rules of the society concerned, and that the borrowing powers have not been exceeded. Some distributive societies only enter interest into the investment account as it becomes due, but for the proper allocation of interest to revenue, it is the better plan to calculate the accrued interest on days to date, and include in the final balance, so as to get the net credit to the society for the period. At the same time where more than 5 per cent is declared from time to time, it is not safe to take accrued interest at a greater rate as the additional dividend is not guaranteed as a first charge by rule upon the profits. Where the society in which the investment has been made has not been accustomed to pay a regular dividend at all, accrued interest might in such a case be omitted, and should never be allowed to accrue in the case of investments with joint stock limited companies, as in their case the dividend on shares is the final charge upon profits, whereas in a productive society, the ultimate aim being dividend on purchases, the interest on shares is limited in rate, and is usually guaranteed by the dividend, or reserves of dividend. Loans secured are usually loans to corporations, secured upon the rates,§ mortgages on properties, whether on ordinary mortgage security,|| or according to the rules of the

* See page 495. † See page 136. ‡ See page 137.
§ See page 499. || See page 469.

building department,* and the hire purchase agreements secured upon the goods delivered.† Each class of security should be separately defined. A separate credit column should be provided for income tax deductions‡ on receipts of interest, their amount being credited to an income tax account, and taken as an asset until the refund by the Inland Revenue authorities each year extinguishes it. A column on the debit side should be provided for the insurance and other charges which are debited to the mortgagors of the cottage building department, and credited to the expenses account.

Dividend on Purchases.

Dividend declared by productive societies is debited to the investments account, as already shown. The total of the debit column is transferred to the credit of a dividend on purchases account. The largest item of dividend on purchases is that declared by the Wholesale Societies, and covers the half year ending about three months prior to its declaration. There is therefore an accrued contingent asset in the deferred discount upon the Wholesale purchases to date. With regard to this accrued dividend many opinions are rife. It is argued that, unlike interest, it is the final balance disposable after all other claims have been satisfied, and it cannot be technically correct to take it into account until it is declared; yet in the making up of the trade account of a quarterly balance sheet, unless the deduction is made upon all purchases by crediting the dividend accrued due to date in the trade account, the proper comparison of net profit cannot be secured.§ Apart from all these questions, it might be safely assumed that the amount recorded as accrued dividend at 3d. upon the first quarter's purchases of the Wholesale Society may be safely taken into account, as it is guaranteed to some extent by the fact that the wholesale prices are arranged to provide for a dividend of 4d., and by

* See page 549. † See page 395. ‡ See page 507.

§ Because dividend is a deferred discount.

the accrued dividend upon purchases since that date; and so long as a quarter's dividend is taken regularly into account, and the value of the purchases is fairly constant, the trade account gets a practically uniform credit, thus giving the basis desired. At the same time (by not taking to credit the contingent dividend since the interim date*) a reasonable reserve is retained against the dividend upon the cost prices of the stocks. The interim dividend thus taken as an asset in the balance sheet (a separate line being allocated to it) will be credited to the dividend on purchases account, the debit required to balance this account being credited to the trade account. The balance thus capitalised is debited to the dividend on purchases account the following quarter, and will reduce to this amount the dividend on purchases as per investments account, which will include the Wholesale dividend for half-a-year. Thus the trade account is credited with a quarter's dividend, plus the extra penny per £ reserved in the interim dividend, if the rate of 4d. is declared.† In this case the dividend has been merged into the investments by being credited to the share account and transferred to loan account, becoming part of the loan balance both in the investments account and in the balance sheet. In the case of a half-yearly balance sheet the same process may be followed, but there will be a half year's amount of dividend, whether each succeeding interim dividend is taken into account or not. The dividend on premiums (Insurance Society) and on printing (Printing Societies) are transferred to the credit of expenses.‡

* The same will be noted to apply when the balance is taken into account, on account of the space of time between the balancing date of the Wholesale Society and the declaration of dividend.

† The usual rate of dividend declared by the Scottish Wholesale Society is 8d. per £, no interim statement being given.

‡ See page 534.

DIVIDEND ON PURCHASES ACCOUNT.

1ST QUARTER, ENDED JUNE, 1909.

	£	s.	d.		£	s.	d.
Trade Account.....	23	6	10	Investments Account..	2	3	6
				Wholesale Society— Interim Dividend, March, 1909 ..	21	3	4
				(Included as a separate asset in the balance sheet.)			
	£23	6	10		£23	6	10

2ND QUARTER ENDED SEPTEMBER, 1909.

	£	s.	d.		£	s.	d.
Interim Dividend brought forward	21	3	4	Investments Account ..	50	6	9
Trade Account.....	29	3	5	(Including Wholesale Society's Half-yearly Dividend, June, 1909.)			
	£50	6	9		£50	6	9

Mortgages.*

As in the case of hire-purchase agreements, the line relating to mortgages will be the totals of the analytical abstract of the mortgage ledger.† A folio in this ledger should be allotted to each member to whom money is advanced on mortgage, and particulars given of his name, address, share number, folio of the minute book authorising the advance, particulars of repayment, and the number and premium of the policy of insurance. Beyond the ordinary columns corresponding to those of the investment account, are spaces for the noting of the repayments required by the deed and the comparison of the same with actual repayments, thus showing the arrears. It is usual to have a set of building rules,‡ which define the working of this department and to which the members must conform. In the absence of regular payment of the instalments (which include the diminishing amount of interest and the repayment of the capital at an inversely proportionate rate, on the basis of the annuity system§) the power of foreclosure may be exercised.|| Some societies build cottage property for their

* See also page 469. † See page 558. ‡ A model copy of building rules may be obtained from the Co-operative Union. § See page 488. || See page 469 footnote.

members, in which case it is necessary to have two deeds executed, the original deed* giving the title to the member, and the mortgage deed giving security to the society. In such a case the property will be added to fixed stock account until the cottages are completed, when the amount is credited to fixed stock account as sales and debited to the cash account, the identical amount being credited to the cash account and debited to the account of the mortgagor in the mortgage ledger. There is nothing in the Act to prevent the mortgage being upon the full value of the property, but it may be limited in the rules. Any addition to the property, and debited to the mortgage account, should be covered by the inclusion of the further advance upon the face of the mortgage itself, by an endorsement executed in a proper legal manner, under the signature of the mortgagor.

Cottage Property.

As already hinted in the previous paragraph, many societies prefer to invest a portion of their surplus funds in cottage property for the use of their members or others, either by purchase or by building to suit the requirements of members who wish eventually to become tenant proprietors. The great drawback to cottage building by societies is their lack of experience, and the movement in favour of housing reform implies a protest against the method of building cottages in rows upon small plots, with insufficient air-space or provision for gardens or allotments. Consequently the new tenants' societies,† under the advice and direction of the Co-partnership Housing Council, lay out large estates upon a self-contained basis, by which the tenants receive, in addition to interest upon their shares, a dividend upon their rents. This dividend, not being payable in cash, accrues to share account, relieves the loan capital, and eventually makes them joint proprietors of the whole estate, without the burden of a house upon their shoulders if they have to leave the district, in which case they can

* If leasehold, this is in two parts, the lease and the counterpart.

† See page 2.

realise upon their transferable shares or retain the same as an investment. The value of this plan is at once noted, for not only does the society, by being confined to the duties of developing the estate, obtain the special experience necessary for its financial success, but also the estate itself becomes a "garden city" of a co-operative or co-partnership character. The incentive to the purchase of cottage property by societies is in the fact that there is a larger return than is obtained from investments in shares and loans, and it is argued that, in the event of the money being required as available cash, money may easily be obtained thereon on mortgage security. Careful note should be made of the rents which are receivable,* and arrears strictly followed up. The expenses to which this class of property is subject are chiefly repairs,† rates,‡ taxes,§ and insurance,|| cost of letting, office supervision, and interest and depreciation upon the capital invested, which are separately charged to the investments revenue account. The question of interest, depreciation, and supervision has already been considered in Chapter XXVIII.¶ The cost of letting is generally a deduction from the rental of the tenant to whom the key has been entrusted. The payments for repairs, rates and taxes, and insurance should be separately stated in the summary cash account, and debited to the expenses adjustment account in the like manner.** The net charge for the quarter is credited to this account and debited to the investments revenue account. The same rule applies to depreciation, but not to interest,†† as the total charge for interest is required as a debit to the general expenses account, to obtain the rate at which the interest on surplus funds invested outside the trading is credited for the charge to the different class of investments.‡‡ With regard to the income in rents, it is necessary that a proper method of collection be provided. In the case of quarterly property, the debit note is served upon the tenant

* See page 441. † See page 470. ‡ See page 499. § See page 502. || See page 508. ¶ See page 534 and footnote. ** See "Co-operative Book-keeping," page 280. †† See page 479. ‡‡ See page 543.

at the quarter days.* The property tax† and inhabited house duty are payable in this case by the occupier, but the tenant is allowed by law to deduct the former from the next account for rent, on production of the receipt from the Inland Revenue for the same. The secretary will therefore enter into his daily cash book the gross rent as a receipt and the income tax as a payment, and file the voucher in the ordinary manner.‡ In the case of weekly property, a rent book should be given to the tenant, in which the rent received should be entered and initialled or the arrears each week carried forward.§ The rent book should also have printed thereon the rules and regulations upon which the tenancy was granted. The collection of rents is generally made on a Monday, and should be entrusted to a responsible official, as the tenant's book is seldom seen by the secretary, though the entry of the receipts in a tabulated rent book‖ is a satisfactory check upon them.

Landlord and Tenant.

To secretaries and committees who have to deal with assets in the form of dwelling property,¶ or whose trading premises are rented and not owned, a knowledge of the law relating to "landlord and tenant"** is necessary, and we may therefore appropriately devote a paragraph to its discussion. Whether the society is in the position of the landlord or the tenant, it is advisable that the tenancy should be made secure, and that the terms are clearly expressed in writing. A yearly tenancy agreement should be in writing, and must be under seal if the period is upwards of three years.†† If a tenant enters possession without a written agreement it is considered to be a yearly tenancy, except in the case of a

* The quarter days differ in various localities. Usually in England they are Ladyday (March 25), Midsummer (June 25), Michaelmas (September 29), and Christmas (December 25). In Scotland, Candlemas (February 2), Whitsunday (May 15), Lammas (August 1), and Martinmas (November 11).

† See page 504. ‡ See page 515. § See page 560. ‖ See "Co-operative Book-keeping," page 231. ¶ The legal term is "messuages."
** Or, in the language of law, "lessor and lessee," the agreement (between the parties) being a lease. †† See page 154

weekly tenancy when the shorter tenancy may be inferred, a week's notice being sufficient. In the case of a quarterly tenancy no such inference can be established, and though the tenancy is presumed to be for one year, yet the landlord or tenant can claim six months' notice of the termination of the tenancy before it can be determined by either. If the tenancy ends, say, on June 25th, and the tenant does not give notice on or before the 25th December preceding, he cannot give notice again until the following Christmas. When possession of premises is taken between two quarter-days, and rent is paid for a portion of a quarter, in the absence of a written agreement the yearly tenancy commences at the quarter day to which the first payment of rent is made. If rent is not paid for such portion of a quarter, the tenancy dates from the day that he took possession. Notice to quit may be given verbally, but should be in writing, and should be served upon the landlord personally, though it may be sent by registered post. The rent cannot be raised during the continuance of a tenancy unless the tenancy is first determined by a notice to quit; but if the tenant remains in possession after a notice from the landlord to quit the premises or otherwise an increased rent will be charged, there is an implied agreement to pay the increased amount. In the absence of a written agreement or an agreement to the contrary, the yearly tenant is not responsible for repairs unless for damage done by his own negligence. Nor is the landlord obliged to do any repairs, unless there is an agreement to that effect,* and the only remedy for the tenant is to give proper notice and quit the premises if they are unfit for occupation. All rates and taxes are payable by the tenant unless there is an agreement to the contrary, the exception being in the case of property tax,† which, though paid by the tenant, can be deducted from the rent. When there is a written agreement this document should contain all the terms and conditions‡

* In which case he is only bound to do reasonable repairs, in keeping with the character of the property. † See page 552. ‡ See page 559.

upon which and subject to which the tenancy is accepted, so that no dispute may afterwards arise. The tenant should insist upon the *express* exclusion of such charges as paving, draining, &c., the liability for which might in certain forms of wording be placed upon him. There should be an express agreement as to the duties of each with regard to repairs. If the landlord undertakes to execute the repairs, notice of the required repairs is necessary, and the tenant has no remedy if he has the work done himself; he cannot deduct the cost from the rent. A provision should also be contained in the agreement as to insurance. In the absence of special agreement to the contrary, the tenant is not liable for the premises if burnt down, but his rent is still payable, though he cannot compel the landlord to rebuild. Yet he can require the insurance companies to expend claims for insurance upon rebuilding, and not to be paid to the landlord in cash.* His better plan, however, is to see that his agreement for the lease contains a clause providing for the cessation of rent if the premises are destroyed by fire. If the premises are on mortgage, the consent of the mortgagee is required to the lease, otherwise, on foreclosure,† the tenant has no remedy if the mortgagee determines the tenancy. If the landlord owns the adjoining property, it might be well for the lease to contain a provision against letting for trades of a risky nature. If fixtures are attached to the freehold they belong to the landlord, but what are and what are not fixed to the freehold is generally difficult to define, and the principle is usually construed in favour of the tenant. In any case, trade fixtures may be removed if the tenant takes them away before the termination of the tenancy; otherwise, if attached to the freehold, they belong to the landlord. Any damage to the property in removal must be made good by the tenant. Every agreement for tenancy must be stamped,‡ and the cost of the lease and stamp duty fall upon the lessee.§ If a duplicate is prepared, the landlord is liable for the costs

* See page 512. † See page 469.
‡ See page 559. § In Scotland it is shared by lessee and lessor.

of such duplicate. In the case of houses on weekly rental, if rules and regulations are printed in the tenant's book they are only *prima facie* evidence of the terms of the tenancy, and such may be rebutted by the evidence of the acts or speech of the parties.*

Distraint for Rent.

The law gives the landlord special privileges with regard to amounts owing for rent, by giving him the right of distress, and he is therefore a preferred creditor; but to the extent that he cannot recover by such means, he must rank as an ordinary creditor against the estate of the lessee. Subject to any special provision to the contrary, rent is payable upon the dates set forth in the agreement, and any days allowed by the landlord are by grace and not by right. If the rent is not paid, the landlord may enforce payment either by re-entry (if power has been taken in the lease) or by distress. He can only distrain if rent is in arrear, rent becoming due at midnight of the day fixed in the agreement. He can only distrain on the property leased. Distress is the seizure of the goods upon the premises leased, for the payment of the rent and charges. The following goods are exempt from distress:—Articles in personal use; fixtures attached to the freehold; goods belonging to another person and delivered to the tenant for the purpose of his trade (such as boots to be repaired); perishable articles; tools of trade; and loose money. Goods on the premises obtained on the hire system† are not exempt, as the tenant is the "reputed owner" thereof; and if the tenant has fraudulently removed his goods to avoid a distress, the landlord has the right to follow and seize the goods, wherever they may be, within thirty days after removal, and may even break open premises (with the assistance of a police constable) to get at the goods, provided that they have not been sold to a *bona fide* purchaser for value who has no knowledge of the fraud. Distress must be levied in the daytime (between

* See page 154. † See page 395.

sunrise and sunset) and the landlord can only distrain when the rent is in arrear, that is to say, not earlier than the day after it is due.* He must not break open the premises (except in the above case), but must gain access by ordinary means. The landlord does not usually levy distress himself, but employs a bailiff, who must hold the certificate of a County Court Judge, otherwise distraint by him will be a trespass. The goods cannot be sold for fifteen days from the time of their seizure, unless the tenant so require in writing and gives security for any additional costs occasioned thereby. A landlord may not "re-enter," that is to say, resume possession of the premises as well as distrain, unless there is an express provision to that effect in the lease. On the termination of a tenancy the landlord has always the right of re-entry. Whenever the power of re-entry can be exercised (whether by the provision in the agreement as to the breaches of covenant, such as to non-payment of rent, or by the natural determination of the lease), if the tenant refuses to leave the premises, the landlord can have him ejected by the police. The power of distress can be exercised by the landlord, whether he has the power of re-entry or not.

* The rent is due on the dates mentioned in the agreement, and often these dates are fixed so as to make the rent payable in advance. Advantage of this clause is seldom taken, however, for purposes of distraint. Where the agreement to pay in advance is simply the statement upon a weekly rent book, distraint would probably not be allowed by the County Court.

APPENDIX TO CHAPTER XXIX.

THE SOCIETY'S POWER TO INVEST SURPLUS FUNDS.

INDUSTRIAL AND PROVIDENT SOCIETIES ACT, 1893.

A registered society may invest any part of its capital—

I. In or upon *any legal security* authorised by its rules.

II. In advances to members upon *the legal security of real or personal property*, or in the case of a society carrying on the business of banking, in any manner customary to such business.

III. In certified Trustee Savings Banks, or Post Office Savings Banks, if the society is not chargeable with income tax in pursuance of the Act (section 24).

IV. *If the rules do not direct otherwise,*

(*a*) In shares (with limited liability) of, or upon the security of

(1) Registered Industrial and Provident Societies.

(2) Registered Building Societies.

(3) Registered Joint-stock Companies.

(4) Companies incorporated by Act of Parliament or Royal Charter.

(*b*) On the security of a local authority having power to levy a rate (Local Loans Act, 1875, section 34), such security being confined to mortgages or any other legal security not payable to bearer.

(*c*) Trustees' investments (Trustees' Consolidation Act, 1893) which are (among others specified) as follows:—

(*a*) Mortgages of real or heritable property, held for an unexpired term of not less than two hundred years, and not subject to a chief rent greater than a shilling a year, or to any right of redemption, or to any condition of re-entry, except for non-payment of rent.

(*b*) Parliamentary Stocks, Public Funds, or Government Securities of the United Kingdom.

(*c*) Stocks of the Bank of England or Ireland.

(*d*) Stocks of Railway, Canal, and Water Companies (under certain conditions).

MORTGAGE LEDGER.

Share No..... *Name.....* *Address.....*

£ at per cent agreed to be advanced on Mortgage of as per minute of Committee dated Minute Book, page date of advance 19 . Repayments £ per lunar month, or £ per quarter. Insured with Co-operative Insurance Society for £ Policy No. Renewable 19 . Premium.

Date.	Reference.	Balance to commence.	Cash Advanced.	Expenses, Insurance Premium, &c.	Interest.	Total.	Date.	Reference.	Cash Repaid.	Balance at end.	Total Repayable to end of Quarter.	Total Repaid to end of Quarter.	Arrears.
		£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.			£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.

TENANCY AGREEMENTS AND LEASES.

ESSENTIAL PARTICULARS :—

(1) The date.
(2) Names of the parties.
(3) Consideration—
  (*a*) Premium (if any).
  (*b*) Rent.
(4) Description of Property.
(5) Length of term.
(6) Commencement of tenancy.
(7) Covenants—
  (*a*) To enjoy quiet possession.
  (*b*) Re-entry on non-payment of rent or breachof covenants
  (*c*) To pay rent, rates, and taxes.
  (*d*) To repair.
  (*e*) To insure.
  (*f*) Not to assign or underlet except with consent.
(8) Trade premises : To carry on particular trade, except with consent.
(9) Private houses : To reside on premises, and not carry on trade therein.
(10) To give up possession quietly on termination of tenancy.
(11) Reserving to the landlord right of light or right of way.
(12) Conditions *re* landlord's adjoining property to prevent prejudice of lessee's occupation of premises.

STAMPS.

If the term does not exceed thirty-five years, the stamp duty is as given below ; exceeding thirty-five years but less than 100 years, six times the amount ; exceeding 100 years, twelve times.

	s.	d.
Rent not exceeding £5 per annum.....	0	6
Exceeding £5 but not exceeding £10.....	1	0
,, £10 ,, £15.....	1	6
,, £15 ,, £20.....	2	0
,, £20 ,, £25.....	2	6
,, £25 ,, £50.....	5	0
,, £50 ,, £75.....	7	6
,, £75 ,, £100.....	10	0
,, £100, for every £50 or part thereof..	5	0

TENANT'S RENT BOOK.

THE PLAYFAIR CO-OPERATIVE SOCIETY LIMITED,
1, MARKET STREET, PLAYFAIR.

Tenant.....

No. ..... Street .....

Rent per week s. d. : Arrears brought forward £ s. d. : :

Date. 1909.		Rent Paid. s.	Rent Paid. d.	Signature.	Arrears Owing. s.	Arrears Owing. d.
JANUARY.	4					
	11					
	18					
	25					
FEBRUARY.	1					
	8					
	15					
	22					
MARCH.	1					
	8					
	15					
	22					
	29					

CASH CENTRALISATION.

PNEUMATIC SYSTEM

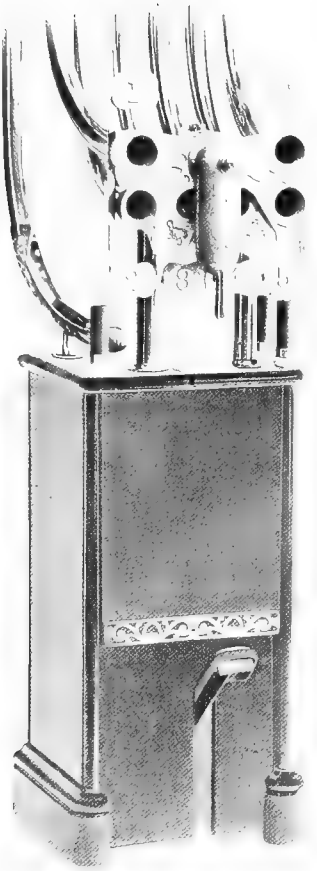

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PLATE XXXVI.

(a) (page 56)

CHAPTER XXX.

Profit Appropriation—Dividends and Reserves.

The Profit and Loss Account.

The trade account of the society should show the general profit on trading after all trading expenses have been charged. This ascertained amount is not available for dividend, as there are certain charges foreign to the trading which have been incurred or advantages which have been conferred.* There is also to the credit of this account the surplus of the previous period and the debits or charges referring to its actual disposal. The account should be so totalled as to separate the items relating to the appropriation of profits of the previous period from the debits and credits relating to the present period, including the trading profit, thus arriving at the amount disposable as dividend. It will therefore be seen, on reference to page 583, that the balance to credit in the upper portion of the account is not only the balance disposable, but also the share interest of last period's accounts, the latter having been appropriated through the expenses account of the period referred to, but not paid. The debit will be the dividend and interest paid or transferred during the period covered by the present balance sheet, and the appropriation to various purposes† according to the resolution of the last ordinary general meeting, on the recommendation of the committee. The charges or credits to the lower portion of the account are the surplus or deficiency in the investments revenue account, the payments of dividend in advance (if any) upon checks, the donations paid during the half year, and special alterations which do not lie within the region of the expenses account, nor con-

* See "Co-operative Book-keeping," pages 124 and 268.

† See page 5.

sidered advisable to add to fixed stock.* The provision for certain forms of reserves, as they are in the nature of depreciation funds, should be a charge to the profit and loss account before the balance disposable is determined. Such are provision for bad and doubtful debts, repairs, farm fund, alterations fund, and the like. Provision for education and for the general reserve and equalisation of dividend funds are made from the amount disposable balance on the recommendation of the committee to the members' meeting.

Reserve Funds.

A reserve fund has been defined as suspended profit put out of reach of division.† It differs from depreciation in that a reserve fund ceases to be a reserve unless all the assets have been fully and properly depreciated. It is an amount which guarantees the stability of the society, in the fact that it insures it from extraordinary contingencies.‡ The term as applied to joint-stock firms differs from its application to co-operative societies. In the former it is in the nature of a reserve for dividend as well as for capital, as the value of the capital assets as a going concern depends largely upon the marketable value of the shares, and the dividend upon the latter must be maintained, as far as possible, at an equalised amount. In co-operative societies the share interest is guaranteed by the large margin of deferred discount, and the equalisation of the latter is maintained by a fund specially set apart for the purpose. The reserve fund, like all other funds, gives to the society the advantage of using capital released by the suspension of profit appropriated to it, on which no interest is payable. Therefore the expenses account should be charged with interest upon the amount of the funds, and the corresponding credit accumulates the fund automatically, strengthening the stability of the concern. On account of the large responsibility resting upon the society through the with-

* See page 471. † See "Co-operative Book-keeping," page 180.
‡ Other than losses by fire for which contingency a reserve fund is inadequate. See page 513.

drawability of the capital, the reserve fund should be covered by a corresponding asset of a liquid nature,* the interest upon which will be a credit to the expenses account, and a set-off to the interest charged upon the same to revenue.

Hidden Reserves.

It will be noted in a previous chapter that depreciations are based upon a method which reasonably estimates, on a mathematical basis, the various conditions, external and inherent, which affect the manipulation of assets. To the extent that the actual experience, difficult if not impossible to determine, is less than the problematical provision, there is a hidden reserve in the assets which should be ignored. There is all the difference between a hidden reserve which is the result of fluctuation, and the necessity of redeeming the capital in fixed assets at a quicker rate than is justified by the length of their probable existence or use, and a reserve hidden by the manner of keeping the accounts; and in no case is this method more pronounced than in the entry of the stock balances. Thus a hidden reserve is often made use of to equalise departmental rates of net profit in a manner not exposed upon the face of the accounts. Where a depreciation fund upon stocks is provided, it should therefore be shown on the face of the balance sheet, and the same applies to depreciation funds upon debts. The publication of the fixed stock account gives the necessary exposure of the accumulated depreciation upon the fixed assets, and prevents any "ladling" and "teeming" in this connection.

Special Depreciation Funds.

The variations of the amounts charged to repairs usually causes corresponding variations in the expenses which reduce the value of the comparison of the experience of various periods, and consequently there is much to be said for a repairs fund, to which repairs are charged, the charge to revenue for repairs and interest being a credit to this

* Such as the Loan Account with the Co-operative Wholesale Society.

fund. A difficulty, however, arises when the fund is not sufficient to cover repairs required, and there is an inclination to postpone them accordingly, however necessary they are for the maintenance of the assets. A debit balance on the repairs fund should never be taken as an asset. Insurance funds are sometimes built up to cover the contingency of fire, the revenue charge being the relief in premiums and interest. This is a doubtful policy, as few societies have sufficient reserves to cover the risks, whereas a policy of insurance is practically a joint guarantee of many societies covered by the total premiums accumulated and the share capital invested, as already indicated in a previous paragraph.* With regard to the book debts (where credit trading is permitted), the trade account and leakage account have the right to be credited with the amount of the sale for which payment is due. At the same time, the book debts as entered among the assets should stand at a realisable amount, should an immediate liquidation of the assets be required. As far as the deferred discount or dividend is concerned, this is a matter to be considered in the declaration of the disposal of the profits. The depreciation fund for bad and doubtful debts, however, should be built up in a systematic mauner by a profit and loss charge, so as to accumulate to not less than $33\frac{1}{3}$ per cent of the total credit accounts, after deducting the debts covered by dividend and share capital. With reference to the profits of the productive departments, these are in effect profits and losses upon the wholesale prices of purchases and not on sales upon which the dividend is allocated; yet they affect the general rate of dividend made as per trade account. In the case of the farm, the particular nature of its operations is such that it is advisable to have a farm fund, to which all profits are credited and losses debited, the profit and loss being debited and credited accordingly. Thus the effect of fluctuation and possibly incorrect valuations is excluded from the profits available for dividend, and any large accumulation beyond

* See page 508.

the contingencies of loss can be used to develop the farm so as to assist the profit-making capacity of the departments which are fed by this form of productive enterprise.

Dividend—A Deferred Discount.

We have throughout our pages described the dividend upon purchases payable to members as deferred discount. The balance disposable of a co-operative society cannot be technically described as profit in the correct sense of the word, for "there is no question of *profit-making* in a co-operative society; it is simply a question of prices. The goods are bought at wholesale rates and sold at retail rates. The retail rates may be the prices ruling in retail shops in the district—they may be more, or they may be less. *Profit* is not the object of the sale, therefore the retail price, whether it be high or low, is simply accepted as temporary payment pending the time when the *actual price* can be ascertained, and the balance overpaid is then returned to the purchaser, who thus gets his goods at actual and not at an estimated cost."* Yet it is profit in the sense that it is not repayable until ascertained and declared out of revenue and not out of capital. Therefore the method of buying checks in anticipation of dividend, or paying interim dividends, may on a test case be ruled to be illegal, or the committee and other officers made personally responsible for the refund to the assets, to repay capital, of dividend paid which is eventually found not to have been made, when the balance sheet is published. Share interest, however, is profit in every sense, for the member as a shareholder stands on a separate individual footing. He has invested his savings to obtain interest, and the co-operative method gives him the opportunity of himself taking part in the operations by which such income is gained. Yet his claims as a shareholder must be satisfied before the balance disposable for dividend purposes can be allotted in accordance with the object for which

* Evidence of the Co-operative Union before the Departmental Committee on Income Tax.

the society was formed; and in the event of there being insufficient revenue to pay the share interest, the amount debited to expenses account (see page 478) would have to be credited to the profit and loss account, though this is seldom required.

Profit Available for Dividend.

It will be seen that the profit available for dividend (or, as it should be more correctly termed, the "balance disposable") is the trading profit shorn of all charges for the ordinary maintenance of capital. It must be ascertained in a manner in conformity with all recognised principles of differentiation between capital and revenue, and confirmed and certified by a careful, strict, and efficient audit. It must be declared, and passed by a members' meeting according to the rules, before it can be allocated and paid. This applies also to interest on share capital, and the passing of the accounts in balance sheet form is the acceptance by the members of the manner in which the amount disposable has been ascertained. For this reason the published accounts should not only be of such a nature as to give a reasonable basis of criticism, but also disclose on their face all the methods by which the capital has been maintained by the various charges to revenue. The manner of appropriation proposed by the committee should be published in detail, and in accordance with the rules relating to the division of profits, or the previous resolutions of members' meetings, and should also set forth the claims upon which the amount is allocated.

Reserved Dividends.

In ascertaining the claims upon the balance disposable, regard must be had for the various individual claims upon purchases. It is insufficient to declare upon the cash received, for there must be a provision for dividend upon the accounts owing. Where the shillings and pence of checks are ignored in the payment of dividend, provision should also be made upon these amounts which accrue to the members in the following period, though the sales were effected in the previous half year. The same method applies to accounts

owing on sales deposit accounts and hire purchase agreements. Where checks are given upon sales deposits, the payment of dividend upon cash received amounts to a payment of dividend upon capital, and the remedy is to follow the correct lines suggested on page 393. Where bonus is paid to employés, this must also be provided for prior to calculating the balance upon members' purchases. The details of calculuation should always be given, namely, the checks on which the general dividend is allocated, and the wages upon which the bonus is determined. Comparison between the checks and the sales as per the trade account should give the amount of sales upon which no dividend is payable, such as hides, skins, and offals, and non-members' trade. If dividend, however, is paid upon non-members' trade, a reserve must be made for this, and it is a good plan to appropriate to the reserve fund the profit on non-members' trade—that is to say, the difference between the lesser rate paid to non-members and the general dividend rate—because otherwise the members are receiving as dividend the income from trading with persons other than themselves. In a productive society, as previously stated, the dividend is declared upon the actual sales, and not upon cash received, and credited to the current accounts of the customers,* and here again this principle of crediting to the reserve fund profit upon non-members' trade might be appropriately considered. In a distributive society the dividend owing to members who are indebted to the society will be taken to reduce the liability upon share capital required to be held but not paid up. With regard to capital automatically allotted,† beyond the minimum number, but not paid up, the interest and dividend undrawn will be transferred to their share account to complete the payment upon these shares, or in payment of new shares. There is no lien upon payable dividends for the satisfaction of debts, as in the case of share capital. The dividend should therefore only be retained if it has been declared and passed by the members' meeting to

* See, however, page 91 footnote. † See page 115.

be subject to this condition, or there is a special rule providing for the same, or otherwise with the consent of the member.

Reserved Profits.

There are two charges often made upon the balance disposable which are in the nature of reserved dividend, the educational fund, and the collective insurance premium. The former is a percentage of the profits which is allocated to the use of the members through the educational department. Though in many cases this fund is almost entirely devoted to purposes of a purely social character, co-operative opinion is now leaning towards its appropriation to expenditure of a more directly educational value, with beneficent results. The latter is a premium of a penny per £ on sales paid to the Co-operative Insurance Society to cover the collective assurance premium.* The effect that a variation of dividend has upon the credit and goodwill of the society has in late years brought into prominence the principle of equalising dividends, by the declaration of a uniform rate and endeavouring in the pricing of the goods to maintain it. This is a disadvantage where the dividend is high, as it has the tendency on the one hand to squeeze the capital, and on the other to fix retail rates upon a principle which is not in accordance with the co-operative ideal of selling at ordinary market prices. If the uniform dividend is such that there is an ample margin for revenue charges for capital purposes, it is to be recommended, and by means of an equalisation fund a further reserve on capital is secured; at the same time a means is provided by which, in lean periods where the wholesale market is difficult, or the sales are decreased, the dividend can be maintained by the allocation of a portion of the equalisation fund to make up the amount required. This method has also the moral effect of preventing the members, through lack of foresight and inability to recognise the necessity of protecting their hard-earned savings, from demanding that the shortage of the amount available for dividend should be recouped from the reserve fund.

* See page 515.

APPENDIX TO CHAPTER XXX.

THE PLAYFAIR CO-OPERATIVE SOCIETY.

SUGGESTED FORM OF MODEL BALANCE SHEET,

SHOWING THE GENERAL PRINCIPLES WHICH SHOULD GUIDE COMPILATION, AS EXPOUNDED IN THIS WORK.

DR. CASH

	£	s.	d.	£	s.	d.
Goods Sold:—						
General						
Hides and Fat						
Commission—						
Other Tradesmen						
Insurance Agency						
Rents						
Hire of Hall						
Entrance Fees						
Nomination and Revocation Fees						
Survey Fees						
Rules and Pass Books						
Sales of Fixed Stock						
Repayments on Investments Capital A/c.:—						
Shares						
Loans—Ordinary						
,, Secured						
Share Contributions						
Loan Deposits						
Employés' Securities						
Savings Bank Deposits						
Sales Deposits						
Education Department						
Cash Over						
Total Receipts						
Bank Withdrawals						
Cash in hand, 1st April, 1909—Office and Branches						

DR. BANKING

	£	s.	d.
Balance, 1st April, 1909			
Deposits			
Interest			
Dividend			

ACCOUNT. Cr.

	£ s. d.	£ s. d.
Goods Purchased and Carriage		
Expenses		
Dividend and Interest to Members		
Bonus to Employés		
Non-Members' Dividend		
Donations and Subscriptions		
Law Charges and Stamp Duties		
Alterations		
Collective Life Assurance Premium		
Fixed Stock:—		
Used in Trade		
Investments		
Advances on Investments Capital A/c:—		
Shares		
Loans—Ordinary		
,, Secured		
Share Withdrawals		
Loans and Interest Withdrawn		
Employés' Security and Interest Withdrawn		
Savings Bank Withdrawals		
Sales Deposits Withdrawn		
Education Department		
Farm Development		
Total Payments		
Bank Deposits		
Cash in hand, 30th June, 1909:—		
Office		
Branches		

ACCOUNT. Cr.

	£ s. d.
Withdrawals	
Commission	
Cheque Books	
Balance, 30th June, 1909	

FIXED STOCK ACCOUNT.—Land and Buildings, &c., Used in Trade.

Description.	Expenditure. To last Date.	Additions.	*Less* Sales.	*Less* Extinguished by Depreciation	Net Total Standing Unredeemed.	Depreciation on Original Value of Unredeemed Expenditure. Rate per cent per annum.	To last Date.	Expenses Account.	Profit and Loss Account	Total	Present Nominal Value.
	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.		£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
Note.—Give separate lines for each plot and block of buildings thereon, corresponding as far as possible in discrimination with the trading departments carried on in each.											
Machinery :—	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.		£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
Bakery											
Tailoring											
Dressmaking											
Millinery											
Boot Repairing											
Fixtures and Fittings*											
Rolling Stock :—											
Carts and Gears											
Coal Wagons											
Horses (—in number)											
Harness.....											
Tenant Right											

* Analysed in detail in the Fixed Stock Ledger (see page 473).

FIXED STOCK ACCOUNT—INVESTMENTS.

DESCRIPTION.	Expenditure.							Depreciation on Original Value of Unredeemed Expenditure.					Present Nominal Value.
	To last Date.	Additions.	*Less* Sales.	*Less* Extinguished by Depreciation.	Net Total Standing Unredeemed.	Rate per cent per annum.	To last Date.	Expenses Account.	Profit and Loss Account.	Total.	
	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.		£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
NOTE.—Give separate lines for each plot and each block of cottage property thereon, specifying the number of houses and their situation.											

INVESTMENTS CAPITAL ACCOUNT.

SHARES.	Rate per cent per annum.	Original Cost, with Interest &c., to last date	Contributions.	Interest and Dividend.	Dividend on Purchases.	Total.	Depreciation to Date.	Withdrawals	Transferred to Loan A/c.	Balance this Date.
		£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.

LOANS ORDINARY.	Rate per cent per annum.	Balance last Date.	Deposits.	Interest.	From Share A/c.	Total	Repayments.	Income Tax to be Reclaimed.	Balance this Date.

LOANS SECURED.	Rate per cent per annum.	Balance last Date.	Advances.	Interest.	Insurance, &c	Total.	Repayments.	Income Tax to be Reclaimed.	Balance this Date.
Advances on Mortgage									
Advances to Corporations, &c.									
Hire-Purchase Agreements									

INVESTMENTS REVENUE ACCOUNT.

Dr. Charges against Revenue.	£	s.	d.	Surplus. £	s.	d.
Cottages :—						
Rates and Taxes						
Insurance						
Water						
Repairs						
Office Services						
Depreciation						
Interest Charge						
Shares—Interest Charge						
Loans—Ordinary—Interest Charge						
Loans—Secured—Interest Charge						
Balance—Deficiency over Surplus	..	..	..			

Cr. Source of Revenue.	£	s.	d.	Deficiency. £	s.	d.
Cottages :—						
Rents						
Shares—Interest and Dividends						
Loans—Ordinary—Interest						
Loans—Secured—Interest						
Charge to Profit and Loss A/c.				..	..	..

Dr. RESERVE

	£	s.	d.
Value and Cost of Demolitions			
Share Investments written off			
Balance, 30th June, 1909			

Dr. FARM

	£	s.	d.
Development			
Balance			

Dr. EDUCATION

	£	s.	d.	£	s.	d.
Payments to the Education Department						
Less Receipts ,, ,,						
Balance, 30th June, 1909						

Dr. EQUALISATION OF

	£	s.	d.
Balance, 30th June, 1909			

FUND.

	Cr. £	s.	d.
Balance, 1st April, 1909			
Profit and Loss Account			
Entrance Fees			
Share Account:			
Fines			
Forfeitures			
Profit on Fixed Stock Sold			
Profit on Non-Members' Trade			
Interest on Reserves			

FUND.

	Cr. £	s.	d.
Balance, 1st April, 1909			
Profit and Loss Account			

FUND.

	Cr. £	s.	d.
Balance, 1st April, 1909			
Profit and Loss Account			

DIVIDEND FUND.

	Cr. £	s.	d.
Balance, 1st April, 1909			
Profit and Loss Account			

DR. EXPENSES

	£	s.	d.	£	s.	d.
Salaries and Wages:—						
Distributive						
Productive						
Carting						
Fees:—						
Committee						
Stocktakers						
Auditors						
Deputations and Delegations						
Rents, Rates, and Taxes						
Insurance						
Repairs:—						
General						
Coal Wagons						
Farm						
Heating, Light, and Water						
Coal and Coke—Bakery						
Printing and Stationery						
Postages, Telegrams, and Telephones						
Travelling						
Butcher's Market Expenses						
Advertising						
Cleaning and Sundries						
Horse Keep						
Horse Expenses and Repairs to Rolling Stock						
Co-operative Union Subscription						
Bank Commission						
Financial Charges:—						
Depreciation						
Interest—Share Capital						
Loans						
Employés' Securities						
Savings Bank Deposits						
Reserves						

ACCOUNT. Cr.

	£	s.	d.	£	s.	d.
Charged to Investments Revenue A/c :—						
Interest						
Office Services						
Bank Interest						
,, Dividend						
Hire of Hall						
Commission—Insurance Agency						
Rules and Pass Books Sold						
Nomination and Survey Fees						
Dividend on Purchases—Printing Society						
,, Premiums—Insurance Society						
Insurance, &c.—Mortgage Account						
Balance to Trade Account :—						
Carting						
Productive						
Distributive						

Department.	Stocks last Quarter.			Purchases.			Transfers.			Carting Expenses.			Productive Expenses.		
	£	s.	d.	£	s.	d.	£	s.	d.	£	s.	d.	£	s.	d.
Grocery :—															
Warehouse															
Central															
*Branches															
Drapery :—															
Warehouse															
Central															
*Branches															
Butchering :—															
Central															
*Branches															
Distributive Departm'ts :															
Grocery															
Drapery															
Butchering															
Boots and Shoes															
Coal															
Milk															
Confectionery															
Van															
Productive Departm'ts :—															
Slaughter-house															
Bakery															
Tailoring															
Dressmaking															
Millinery															
Boot Repairing															
Farm															
Distributive Departments															
Productive Departments															
Total															
Expenses															
Fixed Stock															

* A separate line being allotted to each shop.

Distributive Expenses.		Profit.		Total.	Stocks this Quarter.	Sales.	Tr'nsf'rs.	Dividend on Purchases.
Amount.	†Rate	Amount.	†Rate					
£ s. d.		£ s. d.		£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.

† e Sales.

Dr. PROFIT AND

	£	s.	d.	£	s.	d.
Application of Previous Balance :—						
Dividend and Interest Paid						
,, ,, Transferred						
Bonus to Employés						
Collective Assurance Premium						
Special Redemption of Fixed Stock						
Reserve Fund						
Education Fund						
Equalisation of Dividend Fund						
Reserved Dividends :—						
Members' Accounts Owing						
Hire-Purchase Balances						
Non-Members' Trade						
Not Chargeable to Trade :—						
Non-Members' Dividend						
Profit on Non-Members' Dividend to Reserve Fund						
Donations (to be specified)						
Deficiency as per Investments Revenue Account						
Farm Profit to Farm Reserve Fund						
Provision for Bad and Doubtful Debts.....						
Alterations						
Law Charges and Stamp Duties						
Balance Disposable as per Balance Sheet..						

LOSS ACCOUNT. Cr.

	£	s.	d.
Balance Disposable, 1st April, 1909			
Share Interest, ,, ,, ...			
Reserved Dividends brought down			
Commission on Sales—Other Tradesmen			
Profit per Trade Account			
Cash Over.....			

DR. BALANCE SHEET,

CAPITAL AND LIABILITIES.	£	s.	d.	£	s.	d.
Members' Share Capital						
Cash Creditors :—						
Loans and Interest Accrued						
Employés' Securities ,, ...						
Savings Bank Deposits ,, ...						
Sales Deposits						
Trade Creditors :—						
Goods						
Expenses						
Total Liabilities, including Share Capital						
Reserves :—						
Reserve Fund						
Farm Fund						
Education Fund						
Equalisation of Dividend Fund						
Balance :—						
Appropriated to Share Interest						
Disposable as per Profit and Loss Account						

30TH JUNE, 1909. CR.

ASSETS.	£	s.	d.	£	s.	d.
Used in Trade :—						
Stocks—Goods						
Less Depreciation Fund						
Stocks—Expenses						
Fixed Stock used in Trade :—						
Land and Buildings						
Fixtures						
Accounts Owing by Members						
Less Provision for Bad and Doubtful Debts.						
Commission due from other Tradesmen ...						
Empties, &c., Owing						
Expenses paid in Advance						
Rents Owing						
Interim Dividend—Wholesale Society						
Income Tax to be Refunded						
Cash at Bankers						
,, Office and Branches						
Total Assets used in Trade ..						
Investment of Surplus Funds :—						
Cottages and Land						
Shares						
Loans—Ordinary						
,, Secured						

CHAPTER XXXI.

The Committee and Members—Conduct of Meetings.

The Powers of the Committee.

The administrative control of a society is vested in the committee. The committee-men* are elected by the members to act on their behalf in carrying on the business, and directing the affairs of the society. They are, therefore, trustees for the moneys and property of the society, and in many senses agents for the members. They have the power to receive and give receipts for all moneys due to the society, determine all purchases and sales, and the prices to be paid or charged for the same, and to make all contracts entered by or on behalf of the society for any of the objects for which it is formed, excepting such (if any) as the society may direct to be subject to the approval or authorisation of a general meeting, and if the society has land, building, or mortgage rules, subject to these; and all such contracts shall be signed and attested from time to time. They may engage, remove, or discharge,† all managers, salesmen, or employés of any description required to conduct any such business, and fix their duties, salaries, or other remuneration, at such rates, and require them to give such security‡ as they shall determine. They shall decide on the evidence to be produced for establishing the claim of any nominee,§ executor, administrator, or official trustee to any share in the society; and may institute, prosecute, compromise, or refer to arbitration|| any suit, debt, liability, or claim against, by, to,

* It should be noted here that, by Rule 2, the term applies to members of either sex, and it might be appropriately observed that the Co-operative plan gives women, as members and employés, a large share in the operations of societies; and in some cases they take an active part in the administration as officers and members of the committee.

† See page 35. ‡ See page 23. § See page 73. || See page 613.

or on the society; and in any case for which the rules of the society do not expressly provide, may exercise any power which could be exercised by the society in general meeting other than such as by the law for the time being relating to industrial and provident societies may be required to be exercised by such meetings, and so that in the exercise of any such power they do nothing inconsistent with the previous resolutions of such meetings. All acts or orders done or given by the committee in the name and on behalf of the society under any power hereby given them, shall bind the society and every member thereof as fully as if they had been acts or orders of a majority of the members of the society, at a general meeting thereof, acting in exercise of the powers given them by the rules (Rule 90).

The Duties of the Committee.

It is the duty of the committee, under such penalties, if any, as the society may direct :—*

(1) To convene all meetings of the society according to the rules, subject to any provisions in such rules relating to special general meetings.†

(2) To provide proper books for entering the accounts of all business carried on on behalf of the society, and the minutes of all meetings thereof, and of their own proceedings,‡ and for making such entries as are required, or as any general meeting may direct.

(3) To provide such forms as are necessary in consequence of the provisions of the rules, and for the same being kept, made up, or used in such manner as in their discretion they think desirable.

(4) To provide a sufficient supply of copies of the annual returns and books of rules to comply with the directions of the Act (sections 10 and 15).

(5) To lay before the ordinary business meetings from time to time a statement of the accounts of the society, duly audited by the persons appointed to audit the same, accompanied by a report on the

* Rule 91. † See page 595. ‡ See page 606.

position of the affairs of the society signed by the chairman of the meeting at which such report was adopted.*

Sub-Committees.

The committee may delegate any of their powers to a sub-committee, appointed by them from among themselves, who shall, in the functions entrusted to them, conform in ll respects to the instructions given to them by the general committee.† The proceedings of such sub-committees should be duly recorded‡, and placed before the general committee from time to time for their approval. The usual sub-committees are the finance committee,§ who, among other duties connected with finance, sign the cheques, and deal with the expenses, the shares, and the properties and investments, revise insurances,|| and examine the leakage reports, the comparisons of checks and cash, and the bank balance; and the departmental sub-committees¶ who examine the purchase book,** the weekly cost accounts†† (in the productive departments), the sales, receive the departmental manager's report (if any), and make a special study of a particular department.‡‡ If the society has a cottage building department, there is generally appointed a sub-committee to control its affairs.§§

Qualification of a Committee-man.

No person can be a member of the committee who is not a member of the society, nor a person who holds any place of profit under the society other than as such committee-man. Any person who accepts such a position of profit, or becomes bankrupt, or is concerned in the profits of any contract made with the society, except as a member of any society or company which contracts with or does any work for it, shall therefore vacate his office.|||| There is no share-capital qualification for a committee-man, except

* See page 608. † Rule 97. ‡ See page 607. § See pages 497 and 610. || See page 498. ¶ See page 611. ** See page 188. †† See Chapter XV. ‡‡ See page 301. §§ See page 550 and 610. |||| Rule 88.

that as member of a society he must hold one paid-up share, but it might be suggested that a committee-man who is unreasonably indebted to the society for goods shall be disqualified.*

Election of the Committee.

The first committee of a society is the provisional committee, not less than eight (including the secretary) who have signed the form of registration which *ipso facto* creates them members, and allots to each of them one share.† When the first ordinary meeting is held they automatically retire (but are eligible for re-election), and such meeting shall elect them in the manner provided by the rules or the general meeting. The committee thus elected shall consist of the president, treasurer, secretary, and eight committee-men elected at such meeting (Rule 85). This rule, however, is now generally rescinded in favour of a special rule, which does not provide for the appointment of the treasurer, and which makes the secretary a servant of the committee, and not a committee-man. Where the secretary is appointed by the committee, and not by election of the members' meeting, he is not a member of the committee. The secretary, however, has the right as such officer to be present at all meetings of the committee and sub-committees as clerk to the committee.‡ If the secretary is a member of the committee he has the right to vote as such,§ but this is a responsibility which is not in keeping with his position, and is not conducive to discipline or happy relations under the committee he serves, for his capacity is in the nature of an adviser rather than a joint deliberator.|| The election for the committee is by the vote of the members' meeting, according to the rules and standing orders governing such meetings.

* See page 387. † See page 90 footnote. ‡ See page 34. § In Scotland, and in some English societies, the clerk to the committee is a member of the committee, who fulfils the duties of minute secretary.

|| The same argument is often applied in the case of the employés generally, on the ground that it is not conducive to discipline that he should vote or criticise as a member of the society he serves (see page 345).

Retirement and Eligibility of Committee-men.

At each ordinary business meeting such number of the existing committee-men as the society may direct, and subject thereto one-fourth part shall retire and an equal number shall be elected; the order of retirement being fixed so far as is practicable by priority of election, but if necessary by ballot. A retiring committee-man is eligible for re-election, subject to the question of qualification.* If a vacancy caused by the retirement of the committee-man under the above requirements is not filled up by the meeting by which it ought to have been filled under the rules, the retiring member may continue to act until the next ordinary business meeting.†

Removal and Vacancies.

A committee-man may be removed from office at any time by two-thirds of the members present and voting at a special general meeting,‡ which may thereupon proceed to fill up his place by a vote of the majority of the members present and voting.§ A vacancy in the number of the committee arising from the disqualification, removal, death, resignation, incapacity for acting, or refusal to act, of any of its members, may be filled up with some qualified person (*a*) by the remaining members of the committee, if it arises in the interval between two ordinary business meetings, or, if not appointed by them, by the next meeting; or (*b*) by the meeting, if it arises at any such meeting. A member thus appointed will retire from office at such times as the person whose vacancy he has filled would have retired.||

Responsibilities and Fees.

The committee-man of a society is not a paid servant of the society; like the director of a joint-stock company, his services are assumed to be given for his personal interest in keeping intact the capital of the society in which his money is invested, and this argument is the more conclusive in the case of joint-stock companies, where the directors are

* See page 588. † Rule 86. ‡ See page 595. § Rule 87. || Rule 89.

usually the largest shareholders. The committee-man has no power outside the committee-room, and then only by resolution,* and beyond his duties at the committee meetings and general meetings of members his time is generally occupied with the management of his own private business affairs. The remuneration for the services of the committee must be provided for in the rules,† in addition to their powers, their appointment, or removal; but such rules may specifically provide that the remuneration shall be determined by the members' meeting.‡ As the members of a society are unlimited,§ and therefore large share holdings are the exception and not the rule, a committee-man has less personal interest that would be a return to him for his services upon the committee as is generally the case of a director of a company. Yet, in spite of this, members of committee give extraordinary service on practically disinterested grounds, and we are inclined to think that in many cases a remuneration more adequate for their services might be given, in view of the responsibilities involved. A committee-man is an officer|| as interpreted by the Act, and is under grave legal responsibilities, and the publicity of co-operative affairs is such that to be a member of committee is often a thankless task, and only a man of strong character and honest purpose can occupy the position with credit to himself and those whom he serves. The best men should be chosen, for the responsibilities of committees are enormous; yet these responsibilities are materially lightened by the appointment of an expert and tactful secretary, and a competent and level-headed manager. As committee-men have no standing outside the committee-room, the secretary will guard against dealing with members of the board in an unofficial and confidential fashion. If he is in difficulty or doubt he should consult the president, who is the chief officer of the society, and therefore may be assumed to be able to anticipate within reason the wishes and judgment of the committee, prior to the matter being submitted to them.

* See page 607. † See page 10. ‡ Rule 105. § See page 90.
|| See page 28.

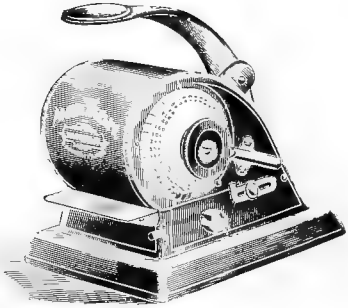
On matters of law, the secretary will be justified in consulting the society's legal adviser or the Co-operative Union, and on matters of accounting and administration the public auditor appointed by the members, and thus be able to place a complete case before the next committee meeting for consideration, as these matters are such that, in joint-stock companies as well as societies, the directors or committee, if intelligent business men, expect professional views to be placed before them to assist them in their deliberations; and no secretary is better appreciated who, without taking upon himself duties which are outside his province as such officer,* prepares his brief in such a manner as to command the exercise of reasoned and enlightened judgment by those upon whom rests the responsibility attached to their decisions.

Special Duties of Committee-men.

Certain special duties may be placed upon members of committee, which are remunerated generally or specifically according to the resolution of the members' meetings. Such are the attendance as delegates at the general meetings of societies and companies in which the society's surplus funds are invested,† the duties of stocktaking,‡ the surveying of property upon which moneys are proposed to be advanced on mortgage, and, in some cases, the requirements of shop visiting. Such remuneration (as in the case of committee's fees) should always be stated separately upon the co-operative balance sheet.§ With regard to shop-visiting, this may be a source of much irritation to the general manager if the duties are not carefully defined, yet in many cases it may be advisable, if not essential. It has both a subjective and objective effect. It is of value to the committee-man in the sense that on a departmental sub-committee he has what we might call a sight-knowledge of the department with which he is called upon to deal. He must beware, however, of listening to complaints, which should be made through the

* See page 34. † See page 544. ‡ See page 300. § See page 578.

THE PROTECTOGRAPH.



NOT OVER TWELVE POUNDS

EXAMPLE OF LIMITING LINE

Kent's Century Wash and Coventry Limited.

PLATE XXXVII

To face page 5[illegible]

medium of the manager, or by letter to the committee, with power of appeal therefrom to the members' meeting;* yet he can, through a general survey, put intelligent questions to the manager in a sub-committee meeting as to certain points concerning the stocks, administration, and *personnel* of the shop, which, if the manager is a competent man, he will be willing to supply. The plan of shop-visiting may be dangerous in the hands of some persons; yet there is nothing to prevent men of such a character from visiting shops upon their own responsibility, except that information thus obtained may be ruled out of order in a subsequent discussion at a sub-committee meeting. A committee-man should be elected who combines the qualities of a sterling character, a keen intelligence, a mature judgment, and administrative ability. To serve such a man is to be free from those difficulties which arise from petty grievances, ill-digested information, ingrained prejudice, and undue officiousness, and a secretary is a happy man if the members are alive to the necessity of electing men possessing those qualities so necessary to the efficiency of the committee's functions and duties.

Breach of Privilege.

A committee meeting is a private meeting, and a general meeting of members a public one. A libel may be uttered at a general meeting, but not at a committee meeting. A statement made at a meeting of committee becomes a libel if uttered by any member of such committee beyond the precincts of the committee-room.† Though co-operators boast of the publicity of their affairs and doings, the rights of individuals should be respected. The doings of a committee meeting, and the information given, received, or arising therefrom, should be regarded as privileged, and much heartburning has been caused by committees, managers, and secretaries who do not realise this important fact. Out of this arises the question as to whether the minutes of committees should be read to meetings of members, a

* Rule 112. † A statement must be *published* to become a libel.

procedure sometimes followed in registered distributive societies, but unknown in joint-stock companies and other incorporated bodies. Societies have been by experience made alive to the responsibilities attached to this mode of procedure in a public members' meeting, and if they read the minutes of committee, they are carefully selected either by the committee, or president, and sometimes even by the secretary; though no cautious secretary would undertake this responsibility. The question raised in the members' meeting as to whether all the minutes have been read sometimes creates to some an interesting diversion, but does not conduce to good feeling, and it might be suggested that if the committee and auditors by their election are assumed to have the confidence of the members, their administration has been of a character meeting such confidence, and to the extent that it is not reflected in the details of the audited balance sheet submitted, either the president, on behalf of the committee, or the auditor in the course of his duties, as representing the members, will have made the necessary report.

Meetings of the Committee.

The committee meet as such times and places as the ordinary business meetings direct, and, so far as no such direction extends, at such times and places as they determine.* A special meeting of the committee may be called by a notice in writing given to the secretary by two members one clear day before such time. The secretary shall communicate every such notice to all members of the committee as soon as possible after the receipt thereof; and no other business shall be done at the meeting than the business named therein.† An attendance book is recommended to be signed by every committee-man attending the meeting.

The Members' Meetings.

There are two kinds of general business meetings of members—ordinary and special. The first ordinary business meeting of a society is held upon a date fixed by the special

* Rule 93. † Rule 96.

members who have signed the application for registry,* after which they are held in each third, sixth, ninth, and twelfth month after the first meeting, unless there is a duly registered special rule to the contrary. The days and hours are fixed by the resolution of members at ordinary business meetings from time to time, or, in the absence of such resolution, the decision rests with the committee.† If there is no resolution of the ordinary business meetings deciding otherwise, the place of meeting is the registered office of the society.‡ The functions of ordinary business meetings are (1) to receive from the committee, auditors, or any other officers of the society, reports upon the business of the society during the period embraced therein, and the state of its affairs at the date thereof, which, except any such meeting directs otherwise, shall be made to every such meeting; (2) to elect the committee, auditors, and other officers, excepting those whose appointment is given by the rules to the committee; (3) to transact any other general business of the society. Notice of the time and place of ordinary general meetings, and the officers to be elected, must be given by fixing such notice conspicuously in the registered office and every place of business of the society for fourteen clear days before the day of the meeting, and otherwise as such meetings shall direct.§.

Special General Meetings.

Special general meetings shall be convened by the secretary, either on an order of the committee or upon a requisition signed by twenty members, and shall be held as soon as is possible after the receipt of such order or requisition, and at the ordinary place and time of the business meetings of the society, unless any ordinary meeting fixes any other place of meeting.|| The notices convening such meetings shall state the time and place thereof and the purpose for which it is convened, and shall be posted to the registered address of all the members not less than six clear days before the

* See page 8. † Rule 68. ‡ Rule 71. § Rule 72.
|| Rule 73. See above.

day of meeting, unless in any case of emergency where the committee unanimously direct a shorter notice to be given.* A special general meeting can only transact business specified in the notice convening it, and then only if the required notice has been given.† Special general meetings are required to pass the special resolution required to change the society's name,‡ amalgamation with another society,§ transfer of engagements to another society, convert itself into, amalgamate with, or transfer its engagements to, a company.¶ Only a special general meeting can amend the rules completely or in part;** also to exercise the power of expulsion of a member from the society.††

Monthly Meetings.

The ordinary business meetings of members may direct the holding of monthly meetings, and in the absence of any express functions assigned to them by such ordinary business meeting, the business to be transacted is as follows:—(1) To discuss the affairs of the society, (2) to explain the principles and rules of the society, (3) to make suggestions for the consideration of the committee, (4) to nominate officers for election at the ensuing business meetings.‡‡

Quorum.

The term "quorum" is applied to the minimum number of persons required to be present at a meeting to transact the business of the society. Ten members must be present within an hour of the time fixed for an ordinary business meeting before business can be transacted, otherwise it stands adjourned to the week following, at the same time, to be held at the principal place of the business of the society, in the absence of previous directions to the contrary. The adjourned meeting can transact business even if only one person be present. In the case of a special general meeting, the want of a quorum dissolves the meeting and adjourns it *sine die*. After the chair has been taken (a quorum being

* Rule 74. † Rule 76. ‡ Section 52. § Section 53. ‖ Section 54. ¶ Section 55. ** Rule 133. †† Rule 130. ‡‡ Rule 69.

present), the business can continue without regard to a quorum being existent during the whole course of the meeting,* subject to the restrictions relating to the voting on a special resolution.† A meeting properly constituted may be adjourned for a space not exceeding thirty days by the direction of the members present. The adjourned meeting must be convened by similar notice as in the case of the original meeting, and only the same business can be transacted that would have been transacted at such original meeting.‡ The quorum required at a monthly meeting is the presence of ten members within fifteen minutes of the time appointed, in the absence of which the meeting is dissolved.§ No business can be transacted at a committee meeting unless three members are present.||

Method of Voting.

The method of voting according to the rules¶ upon resolutions or on the election of officers is by person and not by proxy, though proxies may be admitted according to the directions and conditions of the society, fixed in general meeting. As to which method is the more preferable one we hesitate to hazard an opinion, as there are many arguments which may be urged in the favour of each. In the case of productive societies where the members are distributive societies the method of election by nomination and voting paper may be accepted as advantageous, but care should be taken that the conditions are strictly defined, and that proper scrutineers are appointed. In either method a society or company may vote by deputy, who can exercise one vote irrespective of the shares held by the society he represents,** so long as there are no arrears of subscriptions payable thereon, but such deputy must be duly appointed by resolution of the committee. No member can exercise a vote who holds one share not paid up, and consequently the admission card should be required to be produced by each member

* Rule 77. † See next page. ‡ Rule 78. § Rule 79.
|| Rule 93. ¶ Rule 81. ** Rule 81.

voting.* Votes are first taken by show of hands, unless a ballot is demanded on the particular matter by five members present, and the method of taking the ballot is in the hands of the committee.† Subject to any special direction of the rules of the society, or Act of Parliament, all questions shall be determined by a majority of votes.

Special Resolution.

There are two kinds of special resolution concerning co-operative societies, the special resolution under the Industrial and Provident Societies Act, 1893 (section 51), and the one provided by the rules of the society.‡ The latter is required for the authorisation of the repeal or alteration of the rules, and must be passed at a special general meeting§ by a majority of two-thirds of the members voting at such meeting. The manner of making, altering, or rescinding rules must be provided for in every society's registered rules in accordance with Schedule II. of the Act,‖ and the repeal or alteration cannot be registered by the Registrar except made in accordance with the rules relating to such repeal or alteration. In order to prevent the necessity of another special general meeting to consider the objections of the Registrar it is better to submit the draft copy informally through the Co-operative Union prior to holding the special general meeting. The special resolution required for certain changes, such as reconstruction, amalgamation, &c.,¶ necessitates two meetings, one confirming the other.** The first is a special general meeting duly convened according to the rules, giving the time, place, and specified business to be transacted, at which the resolution must be passed by three-fourths of the members entitled to vote at such meetings, and the second is a meeting similarly called, held not less than fourteen days nor more than a month from the date of the first meeting, at which a simple majority confirms the original resolution.

* See page 118. † Rule 82. ‡ Rule 133. § See page 595.
‖ See page 10. ¶ See pages 613 and 161. ** Section 51.

Agenda.

It is the duty of the secretary to place before each committee or sub-committee meeting the agenda,* or headings of business to be dealt with. The individual file† will be found useful, not only to preserve for future reference copies of the agenda papers prepared from time to time, but also to keep rough notes of matters as they arise, which require the attention of the committee, so that no items are inadvertently omitted from the agenda of the next meeting. The agenda paper should be arranged so that an adequate margin is given for the insertion of notes opposite the items as each matter is dealt with. The nature of such items is affected by the custom and nature of the society concerned, but the headings given in the appendix to this chapter‡ may be of some value as a guide to the secretary in preparing the document in a manner suitable to his own society's needs. It is now the custom, in order to facilitate the despatch of business, for each member of the committee to be supplied with a copy of the agenda paper, and one of the various duplicating machines on the market will be found useful for their preparation.§ The agenda for the general meetings of members are usually published on the balance sheet; or, in the case of monthly meetings, in the published magazine or record of the society, which is often in the charge of the education department.

The Chairman and Conduct of Meetings.

Every meeting of the committee shall have a chairman, who shall be the president of the society if present, or in his absence such one of the committee as they appoint.‖ There must also be a chairman of every meeting of members, who, in the absence of the president, shall be any member of the committee willing to preside, or otherwise such member as the meeting selects.¶ The chairman has, in addition to his ordinary vote, a casting vote in the event of votes being

* *Agenda*: Latin.—Things to be done. † See pages 58 and 352.
‡ See pages 609 and 611. § See page 56. ‖ Rule 95. ¶ Rule 80.

equal, and this applies also to meetings of the committee. The president is the mouthpiece of the committee in the general meeting, though he may delegate the answers to departmental questions to the chairmen of the sub-committees, or to such other official as in his judgment it may seem to him desirable. On taking the chair, the chairman becomes invested with power to rule and regulate the proceedings. He can decide without appeal on points of order raised by the meeting, and decree on his own initiative whether motions are in order or not. It is his duty to preserve order and regulate discussion. He can call upon a disorderly person to discontinue his misbehaviour, or else to withdraw from the meeting. If his request is ignored, he may himself remove him, or direct his removal, reasonable force for such expulsion being allowed. If the disorderly person lays hands on the chairman or such person or persons whom he directs to remove him, it is a breach of the peace. In putting a resolution, the chairman should read the motion which he is putting to the meeting, adding the words, "You have heard the terms of the resolution before the meeting. Those in favour show in the usual way (*i.e.*, by show of hands).* Those against." He then declares the sense of the meeting by saying "The 'Ayes' (or the 'Noes') have it." The chairman only can "put" motions under discussion, and declare the sense of the meeting on a question put to the vote, or have a poll taken. He is bound to grant a poll on the immediate demand of five members (Rule 82). It is entirely within his power to choose the time when he shall put the question to the meeting for the vote, but he must give the mover of the original motion (but not of amendments) the opportunity of reply. In the event of the closure being moved from the meeting (referred to later), he has the power to refuse to put this motion, if in his opinion it would be an injustice to the minority, who are opposing the question before the meeting, that the discussion should be curtailed. The closure, however, may be moved again

* Rule 81.

later in the discussion, and the chairman may again refuse to accept the motion if he so judges. On taking the chair, it is his duty to see that the meeting has been properly convened and that the requisite quorum is present;* and he must cause the minutes of the previous meeting, if any, to be read, put them to the meeting for confirmation, and sign them as evidence of such confirmation. In regulating discussion, he should see that the rules of debate and procedure are complied with. He can adjourn the meeting at any time with the consent of the meeting, and may do so without their consent in cases of disorder or the lack of a quorum. If the meeting is adjourned by the chairman improperly, or if during business he vacates the chair, the meeting may proceed to elect a fresh chairman and proceed with the business on the agenda. Generally, he can decide upon all questions relating to the conduct of the meeting that demand immediate decision. It will therefore be understood by the intelligent reader that the personality of the chairman enters largely into the manner in which the transaction of business takes place. It is within his power to unreasonably curtail discussion on the one hand, or on the other to allow the debate to run into side-tracks which confound the main issue of the matter under consideration. It should be his desire that each subject should be fully deliberated upon, and that the resolutions arising out of such deliberations are definite and conclusive, and free from anything of a rash and irresponsible nature; also that the business is got through with thoroughness and despatch. This requires in the chief official of the society attributes and faculties which can only be found in a capable and experienced man of true business instinct. There is a distinction between his manner of conducting committee meetings and the business meetings of members. The former are consultative as well as administrative, and therefore it is allowable for a committee-man to mention a subject with a view to elicit the views of his colleagues without necessarily being followed

* See page 596.

by a final resolution upon the matter; whereas at a members' meeting it is desirable that the ordinary rules of debate should obtain, namely, that the discussion should be kept strictly within the limits of the subject covered by the resolution, and that until the resolution has been voted upon no new subject should be started.

General Procedure of Meetings.

The business of a meeting should be kept strictly within the scope and subject matter of the agenda.* Consequently due notice of any special motion arising from the members should be given to the secretary before the agenda of the members' meeting is settled by the committee. Questions to the management (but not discussion) are admissible if they arise out of the minutes of the previous meeting, but they must be raised before the minutes are put by the chairman for confirmation. The rule as to minutes is that the minutes of the last meeting of the same body are read; that is to say, at a committee meeting the minutes of the previous committee meeting, and at an ordinary business meeting of members, those of the previous one. The same also applies to monthly meetings. The minutes of special meetings of members are read and confirmed by the next following committee meeting (Rule 115). Not only is it contrary to Rule 115, but it is generally acknowledged to be inadvisable, as well as incorrect, to read the minutes of committee meetings at members' meetings, a course prevalent in the case of some co-operative societies,† but never, as already stated, in that of joint-stock companies. Absence of the confidence of the members in the management is generally shown in the results of the elections, and should not be indicated in the simple anxiety to learn the minor details of their administrative work, and thus elicit information which it is not always necessary nor in the public interest to disclose. The general administration should be reflected in the balance sheet and report of the committee, and in the questions and discussion

* See page 599. † See page 593.

arising thereon, and the interests of the members are further protected by the public auditor, who has access on behalf of the members to all the records of the society, and who will make a report upon matters requiring the members' special knowledge and criticism. After the minutes have been read by the secretary, the chairman puts* the confirmation in the following form:—"You have heard the minutes of our previous meeting. Those of you who were present, and believe them to be a true and correct record of the proceedings, please show in the usual way." After declaring the sense of the meeting,† he adds forthwith his signature to the minutes. Any amendations or corrections must be made at once, and initialled by the chairman, after which the minutes shall be taken, in the absence of evidence to the contrary, as between the society and every member thereof to be a true statement of any matter therein contained, subject to the correction of any patent error (Rule 115). It is not allowable for any meeting to delete or revise any minute which correctly records the business of a previous meeting. The proper course to be taken in order to reverse an action is by a fresh resolution rescinding the minute of the previous meeting.‡ Business of a meeting always proceeds by resolution, and the moving of a resolution, duly seconded, introduces the subject and permits the discussion of the subject matter of the resolution. Even an amendment properly moved and seconded must be within the scope of the subject matter of the resolution, and is only helpful to the discussion by putting before the meeting a modified view of the same. Amendments are of three kinds—to omit certain words, to add certain words, or to omit certain words in order to add or insert certain other words. An alteration merely intended to negative the original resolution is out of order, as the negation of the original motion is arrived at by the direct vote upon the resolution. A counter proposition other than in these three forms is also out of order, on

* No mover or seconder is required. † See page 600.
‡ Requiring the reading of the new minute at the subsequent meeting, in the ordinary course.

account of the introduction of issues outside the area of the substantive motion. Amendments must be in the order of the terms of the main question, and an amendment of an amendment is not admissible until the original amendment becomes the substantive motion. Amendments cannot be discussed if no seconder be forthcoming, and consequently they fall to the ground; and the mover should commence his speech with the terms of his amendment. Any one present may speak upon an amendment, whether he has spoken upon the original motion or not, but the mover has no right of reply. An amendment must be put by the chairman before the original motion, and if passed must then be put again as the substantive motion, further amendments being then admissible as stated above. With regard to the closure of the debate upon the question under discussion (whether it is the amendment or the original motion), the usual way is to move "That the question be now put," and the conditions attached to the closure are that it must be moved and seconded without a speech, may not be discussed, and if accepted by the chairman,* must be put forthwith. If carried, the motion under discussion must be immediately put; if lost, the discussion can proceed. If it is desired to hang up the discussion upon an inconvenient motion and prevent decision at the present meeting, it may be suspended by the moving of the previous question. It is put in the following form:—"That the question be *not* now put." It may be moved and seconded by any person who has not already spoken, but the mover has no right of reply. Discussion is apparently admissible upon this motion before it is put by the chairman, but only by members who have not spoken before. The discussion upon it may be adjourned. The previous question can only be moved before any amendments of the original motion are before the meeting. It must be seconded and it cannot be amended, but it can be superseded by a motion for adjournment of the meeting. If the previous question be negatived, the

* See page 600.

main question must be put at once. If passed, the next business on the agenda is proceeded with. The motion "To proceed to next business" is one which accomplishes the same object, but, unlike the previous question, it can be moved during the discussion of an amendment. Discussion upon this motion is seldom permitted, and it is put by the chairman forthwith. It is usual for the balance sheet, the reports of the committee and public auditor, and the declaration of dividend to be moved in one resolution by the chairman on behalf of the committee, and the meeting then proceeds to discuss these matters page by page in the order as printed in the balance sheet, which has been circulated among the members. The chairman, on behalf of the committee,* has the right to supplement the printed reports by a verbal one according to the circumstances of the case, if he so desires, and this important resolution gives a wide field for discussion, and gives the members, by question and answer, the required knowledge of the administration to guide their deliberations. After this resolution has been put, the list of of defaulting members, if any, is read,† the election of officers or the declaration of the poll by the scrutineers takes place, and the meeting proceeds to deal with the special motions upon the agenda, initiated by the committee or the members, of which due notice has been given. After the agenda has been disposed of, the chairman declares the meeting dissolved, though in joint-stock companies this action is usually anticipated by a vote of thanks from the meeting to the chairman, a courtesy which is none the less equally deserved in co-operative meetings, and is in many cases extended to him as chief officer in recognition of one of his most anxious and responsible duties. In meetings of the committee the above rules also apply, subject to the proviso that, as the meetings of the committee are consultative, a somewhat greater freedom is allowed by the chairman in the discussion upon resolutions, so long as it is kept within reasonable bounds and not distinctly foreign to the subject upon which the committee is deliberating.

* Also the public auditor on behalf of the members. † See page 71.

Minutes and Reports.

The proceedings of all meetings of the society are required to be recorded by the secretary.* These records are termed minutes and are recorded in a minute book. He should keep separate books for the minutes of committee meetings and meetings of members. The minute books should be bound, and be ruled with a wide margin for the insertion of the short title of the subject of each minute. Its pages should also be machine numbered. It is not required that he shall make an elaborate *résumé* of the deliberations; it is only necessary that they shall record the actual business done, such business being proceeded with by resolution,† and he will be as precise and distinct as possible, only employing as many words as are necessary to record the facts. There are two kinds of minutes—*minutes of narration and minutes of conclusions.* As an instance of the former we may give the following:—

The secretary read a further communication (1242/387) from Messrs. Deed and Scrip, solicitors, on behalf of Messrs. High, Price and Co., relating to the proposed purchase of the land in Freehold Street, adjoining the Garden Street cottages, and setting forth £—— as the lowest terms at which their clients would be willing to sell (see minute —, page —).

The other form of minute announces formally the decision of the board, such as follows:—

Resolved: That the purchase be not further entertained, and that the secretary be and is hereby instructed to return the plans, and write Messrs. Deed and Scrip accordingly.‡

It will be seen that this form of minute not only decides, but becomes operative as well. It not only decides that the secretary be instructed, but instructs him also. Thus it is not only an affirmation of opinion, but a decisive act. In the minute book an alphabetical index should be supplied, and carefully kept to date. The minutes of each meeting should commence a new page, and each minute should be numbered for reference purposes. The first minute is one of narration, stating the names of the committee present

* Rule 102. See page 24. † See page 600.
‡ See page 61.

and the various persons in attendance, such as the secretary, manager, solicitor, or auditor. The next minute is also of narration, stating that the minutes of the previous committee meeting, held on the —— day of —— ——, 19—, were read and confirmed as a correct record. Where letters are read and referred to in the minutes, their reference number should be given,* and their substance briefly stated. Where reports are given verbally, their subject matter should be briefly stated, or if in writing, inserted in the minute book and initialled by the chairman. Where applications for membership are agreed to, it is sufficient to give the reference to the identifying numbers in the applications or allotment sheets,† and the same applies to transfers of shares, in which case the reference numbers in the transfer register will be given.‡ Resolutions should be carefully prepared, and a knowledge of shorthand is invaluable to the secretary in obtaining the exact wording of the resolution as moved and read to the meeting before it is put; and the same applies to instructions given to the secretary as to the manner of replying to important correspondence. He thus runs less risk of being called to task for importing into his language a different impression than that which the committee intended to convey. The business transacted by sub-committees§ depends largely upon the terms of reference authorised by minute of the general committee, which should clearly define their powers. Their actions should always require confirmation by the general committee, and their business proceeds, not by resolution, but by "report and recommendation." The report of a sub-committee should be a brief *résumé* of their deliberations, each item numbered, and each decision put, not in the form of resolutions, but recommendations. The report is signed by the chairman of the sub-committee, who, after the report is read by the secretary, moves "That the report of the *finance* committee be and is hereby approved, and ordered to be entered in the minutes." This confirms and decides the conclusions of the

* See page 52. † See pages 102 and 130. ‡ See page 112.
§ See page 588.

sub-committee, and renders their actions operative, such confirmation being retrospective if certain of the recommendations have already been carried out. The report of the committee for the members' meeting should be prepared by the secretary, considered by the committee, and passed, the chairman signing the same on their behalf.*

* See page 588.

"BURROUGHS" ADDING MACHINE.

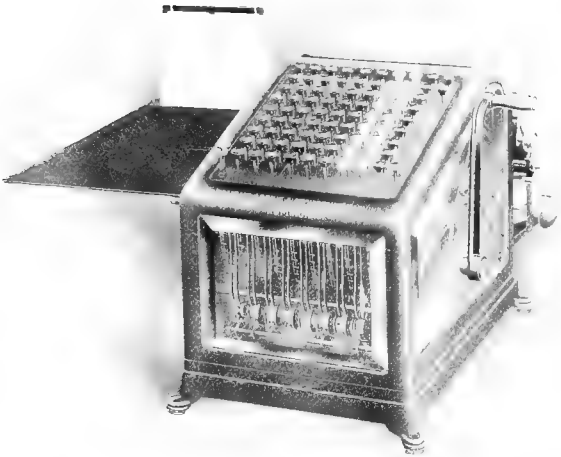


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PLATE XXXVIII

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APPENDIX TO CHAPTER XXXI.

GENERAL HEADINGS FOR THE PREPARATION OF AGENDA PAPERS.

ORDINARY BUSINESS MEETINGS OF MEMBERS.

1. Minutes of last Ordinary Business Meeting.
2. Minutes of intervening Monthly Meetings.
3. Minutes of intervening Special General Meetings.
4. The Balance Sheet, Reports of Committee and Public Auditor, and Declaration of Dividend.
5. List of Defaulting Members.
6. Election of Committee.
7. Election of Public Auditor.
8. Recommendations of the Committee (to be specified).
9. Notices of Motion received from Members (to be specified).

COMMITTEE MEETINGS.

1. Minutes of last Meeting.
2. Reports and Recommendations of Sub-Committee Meetings.
3. Summary of Departmental Returns.
4. Special Reports of General Manager or Secretary (if any).
5. Admission of New Members (or, allotment or transfer of shares).
6. Correspondence.
7. Signing and Sealing of Contracts.

FINANCE SUB-COMMITTEE.

1. Cash Received and Paid.
2. Banker's and Cashier's Balances.
3. Comparison of Checks and Cash.
4. Leakage Reports.
5. Statements for Payment and Cheques for Signature.
6. Notices of Withdrawal.
7. Capital Expenditure.
8. Expenses.
9. Investments.
10. Examination of Total Withdrawals—Share, Loan, and Savings Bank.
11. Payment of Shares in Arrear.
12. Dealings with Employés (Office Staff).
13. Recommendations to General Committee.

BUILDING SUB-COMMITTEE.

Fixed Stock.

1. Capital Expenditure.
2. Plans and Specifications (Dealings with the Architect and District Surveyor).
3. Purchase of Property and Documents of Title (Dealings with the Solicitor).
4. Report *re* Overseer and Surveyor of Taxes.
5. Tenders.
6. Rents and Repairs.
7. Insurances.

Mortgages.

8. Applications for Advances.
9. Survey Report.
10. Documents of Title (Dealings with the Solicitor).
11. Insurances.
12. Rate of Repayment.
13. Examination of Total Repayment.
14. Recommendations to General Committee.

SUB-COMMITTEES FOR DISTRIBUTIVE DEPARTMENTS.

Grocery, Drapery, &c.

1. Report of Manager or Departmental Manager.
2. Examination of Purchase Book.
3. Comparative Statistics of Sales.
4. Prices and Profit.
5. Dealings with Employés.
6. Members' Complaints.
7. Stocks.
8. Recommendations to General Committee.

SUB-COMMITTEES FOR PRODUCTIVE DEPARTMENTS.

Bakery, Butchering, Dressmaking, Farm, &c.

1. Report of Manager or General Manager.
2. Examination of Purchase Book.
3. Comparative Statistics of Transfers.
4. Output, Turnover, and Cost Accounts.
5. Dealings with Employés.
6. Complaints from Distributive Departments.
7. Stocks.
8. Plant.
9. Recommendations to General Committee.

CHAPTER XXXII.

The Annual Return to the Registrar.

The Registrar.

The Chief Registrar of Friendly Societies also acts for societies registered under the Industrial and Provident Societies Act, and the sub-sections 6, 7, 8, and 9 of section 10 of the Friendly Societies Act, 1875, apply to him with regard to his duties in relation thereto. These sub-sections refer chiefly to the compilation of statistics and reports of proceedings to be placed each year before Parliament, and define the functions and powers of the Assistant Registrars of Scotland and Ireland, and their relations with the Chief Registrar.

His Powers.

The powers of the Registrar given under the Act are wide. No society can become a corporate body,* or have its rules or amendment of rules registered without his approval and certificate, though he may be compelled to give the same by the High Court.† He may cancel or suspend the society subject to the same right of appeal.‡ He has the right to prescribe in what form every return or other document required for the purposes of the Act shall be made, and the particulars they must contain, and how the same shall be deposited, registered, or recorded (section 20). A society cannot change its name without his approval in writing (section 51). He may, under certain conditions we need not elaborate, appoint an inspector or inspectors to examine into and report upon the affairs of the society,

* See page 7. † In Scotland by the Court of Session.
‡ See page 17.

or call a special meeting of the society (section 50). He may obtain information for members, under certain conditions, by appointing an accountant or actuary to inspect the books and take extracts therefrom with respect to the information required (section 18). His approval* must be obtained in writing to special resolutions† under the Act required for amalgamation of societies, transfer of engagements (section 53), convertion of a society into a company, amalgamation with a company (section 54), and the convertion of a company into a society (section 55). An instrument of dissolution must be filed for registration before it can become operative, and the manner of distributing the funds may be specifically left to the award of the Registrar (sections 58 and 61). Where there is a dispute between a member and the society, *unless the rules expressly forbid it*, the parties may agree to refer such dispute to the Registrar who may require the attendance of witnesses, take evidence on oath, compel the production of documents bearing upon the case, determine and enforce the payment of costs, and his decision is binding as if made under the rules of the society‡ (section 49).

His Duties.

Among the duties of the Chief Registrar, the one of eminent interest to secretaries is the preparation of the Parliamentary report of his proceedings and those of the Assistant Registrars, and of the principal matters transacted by him and them, and of the valuations returned to or caused to be made by the Registrar during the year preceding. This is issued in the form of a blue book§ (copies of which can be obtained from His Majesty's printers or their agents, either directly or through any bookseller) giving in tabular form

* Section 56 and Treasury Regulations. † See page 598.

‡ Where the rules of the society stipulate that disputes shall be settled by arbitration in the manner therein provided, there is no redress for the member as against the society by entering a suit in the courts. Nor does the Arbitration Act (1889) apply when such a rule is in operation. (See Rule 129.)

§ Issued in two sections, Part B referring to Industrial and Provident Societies.

the chief items of the annual return which is required by section 14 of the Act, which must be in the form prescribed by the Registrar, and which, as previously stated, may be varied by him from time to time.

The Annual Return.

Section 14 stipulates that every registered society shall once every year, not later than the 31st of March, send to the Registrar an annual return of the *receipts* and *expenditure*, funds and effects of the society as audited. It will be noted from Chapter XXIV.* that receipts is a term applied to cash received, and not necessarily to income, and expenditure refers to the charges for the year, and not necessarily payments. Thus we find in the prescribed form (see pages 634-9) a cash account of receipts and payments is required, and also a series of accounts showing the income and expenditure. The necessity of a cash account in the return has rendered the account-keeping of co-operative societies fundamentally different from the accounts of joint stock companies, in that the records of cash must be carefully analysed in a summary cash book† (being prepared for this purpose in the subsidiary cash books); this, too, in addition to the fact that the records of income and expenditure must be similarly analysed as is usual in all accounts, by invoices and the like, for the purposes of the trading and profit and loss account. (See pages 311 and 515.) It will be seen that the accounts are threefold—the cash account, the general accounts, and the balance sheet. The cash account is a combination of the cash account proper, and the bank account.‡ The general accounts are the reflex of the proceedings of the year, and are in three parts; the trading account (which includes the expenses account entered in total except for certain items which are differently and exceptionally treated); the profit and loss account, which shows the debits and credits foreign to the trading,§ but which, though having

* See page 426.
† See page 443; also Co-operative Book-keeping, page 238.
‡ See page 622. § See "Co-operative Book-keeping," page 124.

nothing to do with the trading, affect the balance disposable; and the application of profit account which shows how the balance disposable has been appropriated in accordance with the rules. The third section is the balance sheet which indicates the capital and funds, and the manner in which they have been invested. The front page gives blanks for the entry of various particulars for the information and criticism of the Registrar.*

The Authorisation of the Return.

The Chief Registrar will reject or refuse to accept a return unless signed by the auditor or auditors (section 14), or if such return does not state the qualification of such auditors, either that he is a public auditor appointed by the Treasury *under the Act*, or they are two or more auditors appointed *under the rules*;† and in the latter case the name, address, and calling, or profession of every such person, and the manner in which, and the authority under which, he is appointed, must be given. It might well be noted here that further legislation is being considered to make the employment of public auditors compulsory, on two grounds. The employment of lay auditors has in many cases been a source of detriment to societies, and on the other hand it is generally accepted that the audit should be conducted by men whose special professional experience in co-operative accounts makes their work particularly efficient, and yet whose sense of responsibility, as professional men with a reputation to maintain, gives them an independence of mind and action unaffected by local influences. This is supported by the fact that their appointment by the Treasury on the recommendation of the Chief Registrar, to whom they may be called to account, not only increases their sense of responsibility, but gives them the authority to deal strongly and summarily with cases where a local man or a member might be influenced to act weakly, a course fatal to the public interest, and to the career of the secretary

* See page 612. † See page 11, and footnote.

himself. It is not irrelevant, in a manual for co-operative secretaries, to suggest that only an incompetent and dishonest official need fear the Chief Registrar, or the public auditor, and to every secretary whatever his status a lay audit may prove to be highly dangerous, so that it follows that the Registrar and the public auditor are really his strongest support.

The Date of Making-up.

The annual return must be made out from the date of its registration, or last annual return, to that of its last published balance sheet, provided that the last-named date is not more than one month before or after the 31st day of December then last, or otherwise to the said day of December inclusive (section 14). That is to say, that unless one of the balance sheets is dated within the two months commencing the 1st December and ending the 31st January, the return must be made up to and including the 31st day of December. Industrial and Provident societies have found this duty very arduous, for the taking of stock and the balancing of the accounts at this time is an oppressive requirement. The difficulty of taking stock, always an elaborate and tedious work, is further accentuated by the fact that at this time the Christmas season requires heavy stocks and a maximum of attention to trade. On the other hand, to make up the return to the 31st December, and estimate the stocks, is a substitute which is, for many reasons, unsuitable and often unreliable, as well as upsetting the regular account keeping at a period when time can ill be spared. If the proposed legislation has only the effect of extending the period of grace from September 1st to January 31st following, a great benefit will accrue, assisting also the accuracy and value of the records.

Made up from Published Balance Sheets.

The return should be made up from the published balance sheets during the year, and should strictly correspond with these, so that every item in the annual return can be

followed therewith. To "cook" an annual return, *i.e.*, to carefully adjust the balance sheet items to meet the requirements of the Registrar, so that nothing extraordinary may appear in the statement, is a dangerous course to take. Though the Registrar is only entitled to a copy of the reports of the auditors, if such have been given during the year, the proposed legislation makes it compulsory that copies of the published balance sheets shall also be sent, so that the Registrar and his assistants may be satisfied as to the *bona fides* of the return. The secretary, therefore, should make it a rule that *the annual return shall be strictly the summary of the published balance sheets*, and if the argument is raised that the form of the balance sheet published differs in a particular case from the return *so fundamentally* as to make such a rule impossible, then it may be suggested that the form of the balance sheet itself should be carefully revised. It is pleasing to note that, with the exception of certain details, the form of return prescribed by the Registrar is easily filled up from balance sheets framed upon the lines now taught in the co-operative book-keeping classes of the Union and further discussed in this work, and in those points of dissimilarity the methods detailed below will be seen to accomplish, with a minimum of difficulty, the purpose required.

General Method of Compilation.

It will be seen from the specimen form of balance sheet given on page 569 that the following accounts appear: – Cash, bank, expenses, trade, and profit and loss; also the statement of liabilities and assets termed the balance sheet proper.* In the annual return, Account I. includes the cash and bank accounts. Section *A* of Account II. includes the trade and expenses account; Section *B* includes the bottom portion of the profit and loss account, and Section *C*, the top portion of the same account. In the cash account, the balances to begin and to end will correspond exactly

* See "Co-operative Book-keeping," page 77.

with the items as per the first and last included balance sheets respectively. In the trade account (Account II. *A*), the stock balance* will also agree in the same respects, but the profit on the trade of the year will differ in respect to certain items included by co-operative societies in their trade and expenses accounts, but in the annual return separately treated in Sections *B* and *C* of Account II. The balance of Account II. *C will agree with the amount treated as disposable but not yet appropriated in the last balance sheet*, which will also be the balance of Account III.

The Balance Sheet of Funds and Effects.

Account III. should be an exact copy of the balance sheet or statement of liabilities and assets given in the last published statement to be included in the return. Dealing with the assets,† we find that the stock-in-trade will correspond with the stock balance of the trade account in the published balance sheet, and also in Account II. *A* "Trade of Year."‡ As stocks of expenses§ are not stock-in-trade, but expenses paid for in advance, they are separately stated in a special item under "Other Securities or Assets." The fixed stock account will have been published in detail|| so as to give the separate values of the shop property, and the property bought for investment purposes, which will be also separately stated in the return under the items denoted. The "Amount owing by members at the end of the year" should include the sales deposit accounts overdrawn.¶ The cash in hand should also represent the cash in the shop tills, which should be stated separately from the office cash, as the form requires that mention should be made of the persons upon whom the responsibility of such cash balance rests.** The cash in bank and in hand, taken together,

* See "Co-operative Book-keeping," page 146. † See page 639.
‡ See page 637. § See page 585. || See page 572 . ¶ See page 393.
** It is doubtful whether the names of the persons who hold the cash are expected to be specified, though this course would appear to be more consistent with the information required upon the front page of the return. (See page 634.) The return is generally accepted if the style or title of the persons are given, such as "Secretary," "Cashier," "Treasurer," or "Shopmen."

should be the balance of the cash account in the return.* Where the society is insolvent, the deficiency of assets to cover liabilities will of course be entered under the item "Loss carried to next year," and which will also be found to be the debit balance of the profit and loss account of the last published balance sheet, and also of Account II. *B* in the return.† On the liabilities side of the return, the item "Due to shareholders" should not include the interest debited in the expenses account of the last balance sheet, as for this is provided the item "Profits *appropriated but not paid* during the financial year"; for it will be noted that though this interest has been charged for purposes previously examined,‡ prior to the balance disposable being computed, yet it *is not payable*—that is to say, it must not be paid *or capitalised* until sanctioned by the members' meeting. For this reason it is not entered under "Due to shareholders," nor included in the "Balance of profits unappropriated," but relegated to a separate item, prescribed by the Registrar for this appropriation. Deposits must be carefully discriminated from loans,§ and separately stated under the headings provided. In order to prevent misconstruction, it is clearly indicated that savings bank deposits are to be entered under the item of Deposits,‖ yet all other deposits, such as Sales Deposits, must also be included under this head.¶ Trade debts will include all creditors' balances, whether for goods, expenses, or fixed stock, whether ledgered or unledgered.** The other items not yet dealt with are the funds†† and the "balance disposable," which together show the surplus of assets over liabilities. The profit balance will be the balance disposable as per last balance sheet, *which at the date of such balance sheet* has not been appropriated. This will, of course, agree with the balance of the profit and loss account, both in the last published balance sheet and also Account II. *C* of the

* See page 636. † See page 637. ‡ See page 478; also "Co-operative Book-keeping," page 260. § See page 138. ‖ See page 636. ¶ See page 140. ** See page 515. †† See Chapter XXX., page 562; also "Co-operative Book-keeping," page 179.

return.* It is incorrect to adjust the profit and loss account to include the *proposed* disposal of this balance, and show its disposition in the funds and in the item "Profits appropriated but not paid." This incorrect course has also the effect of making the balance carried to next year an unstable amount, requiring further adjustment when the next return is made, and denies to the Registrar a means of comparison between the figures of the return and the published accounts of which it forms the basis.

The Cash Account.

Account I. of the return is a combination of the cash and bank accounts. It therefore shows no bank deposits or bank withdrawals. The items should be the totals of the published cash accounts added across in tabular form, and no difficulty arises if the till cash has been passed through the general cash account and not through sales.† If however this is so, the till cash must be included in the balance to begin and to end of this account, and the difference added or deducted from sales, for the difference of the till cash in such a case is the amount overpaid or held back by the shopmen when handing over their sales receipts.‡ The same distinction which we have already set forth must be made between the amounts received and paid on loan and deposit account. Moneys received or withdrawn on sales deposit or club account must be entered under the items of deposits. A point of difficulty arises in discriminating between the items "Interest and profit on investments" and "Other investments realised or advances repaid." The co-operative method of passing all interest and dividend through the investments capital account, and the custom in many cases to pass such items to loan account,§ has the practical effect of capitalising such income, and they are perhaps better denoted under the second heading. The same difficulty arises in the item "Dividend and discounts on the society's purchases," for if such receipts are not on account of income

* See page 638. † See page 435. ‡ See page 457. § See page 574

on investments account (such as dividend to the society as a non-member of a productive society, or bonus on purchases from joint-stock companies), they have eventually been deducted *per contra* from purchases.* This item might therefore only be used for commission received for members' purchases from other tradesmen.† The methods of co-operative societies render it necessary to bracket the two items on the credit side of the cash account, "Interest on shares" and "Dividend to members," as they are paid together. The same difficulty applies to interest on loans and deposits, which cannot be separately stated, as it is paid through the loan capital account.‡ Dividend to non-members presents a difficulty, as there is no discrimination in some check systems between checks bought from members§ and dividend paid to non-members in the ordinary routine. As the annual return, with the stamp of the Registrar thereon, is admissible as evidence in a court of law (section 75), there is much importance attached to the entry. To pay dividend to non-members is one of the counts of a claim for income tax.‖ To pay dividend in advance might be pronounced illegal in a test case.¶ To reduce the price of goods to non-members is to upset the whole principle of shop discipline and leakage.** It is therefore safer, perhaps, not to pay dividend to non-members as such, or to buy checks; but if such has been done, the accurate method is to put the amounts under the heading "Dividend paid to non-members," adding the words "and sundry checks discounted in advance." The "Expenses of management" include all expenses, whether carting, productive, or distributive, and are found in one item in the published cash account,†† being more properly dissected as expenditure in the expenses account.‡‡ The expenditure on land and buildings account, if based on cash,§§ will be easily entered from the general cash book, and reflected therefrom into the

* See page 317. † See page 440. ‡ See page 146. § See page 370. ‖ See page 507. ¶ See page 565. ** See page 240. †† See page 570. ‡‡ See page 578. §§ See Chapter XXV.; also "Co-operative Book-keeping," page 301.

published cash account. Fixtures, however, if dealt with through purchases by transfer,* will be included in the item "Purchases" in the balance sheet, and therefore under the item of "Goods" in the cash account of the annual return. It will be seen, therefore, that if goods, expenses, or additions to fixed stock are ledgerised, unless a dissection of cash is also made as well as the one required in the invoice book (a duplication of work), there is no means of accurately stating their discrimination in the cash account of the return, and it may be that in some future time the Registrar will amend his return to meet this difficulty by including them under one heading. The great difficulty usually met with by the secretary is in proving the cash account in the return with the bank and cash balances to begin and to end. This, however, should not be a troublesome operation, if the accounts below are examined.

CASH ACCOUNT.

Receipts	£2,000	Payments	£1,575
Bank Withdrawals	1,456	Bank Deposits	1,885
Cash to begin	12	Cash to end	8
	£3,468		£3,468

BANK ACCOUNT.

Deposits	£1,885	Withdrawals	£1,456
Interest	10	Charges	5
Balance to begin	3,028	Balance to end	3,462
	£4,923		£4,923

ANNUAL RETURN—I. CASH ACCOUNT.

Receipts	£2,000	Payments	£1,575
Interest	10	Charges	5
Balance to begin	3,040	Balance to end	3,470
	£5,050		£5,050

It will be seen that by the combination of the two accounts the bank deposits and withdrawals disappear, as they cancel each other, and the interest must be added to the receipts

* See page 312.

and the charges to the payments. The interest may be placed under "Interest and profit on investments," or more correctly under a separate item, and the bank charges under "Expenses" on the *contra* side of the account. Where the bank is overdrawn, either to begin or to end, a separate entry of this balance is made on the left-hand side of the account in the return, but this does not affect the above method of reconciliation; and this amount will appear among the liabilities in Account III. under the heading "Bank advances." If the interest is a charge instead of a credit to the society, it will be entered among the payments under the item "Interest on bank current advances." The secretary should carefully note that the return should be a summary of the balance sheets, and if items appear on both sides of the published cash accounts as receipts and payments they should be separately stated, and not deducted *per contra*.*

The General Accounts.

As already stated, these are the revenue accounts of the year, and are in three sections—The Trade Account (*A*), the Profit and Loss Account (*B*), and the Application of Profit (*C*). The trade account will be an exact summary of the trade accounts of the balance sheet.† The stock balance to begin will represent the stock as per trade account, and will agree with the amount taken as an asset in the previous year. The stock to end will similarly agree with the same item among the assets in Account III. of the present return.‡ It will be seen therefore that this amount will not include the stock of expenses which is taken into account in the expenses adjustment account.§ The purchases (including carriage), the sales, and dividend on purchases as per trade account in the balance sheet, will find their place opposite the items provided. Where, however, the transfers debit and credit do not agree, on account of items taken to

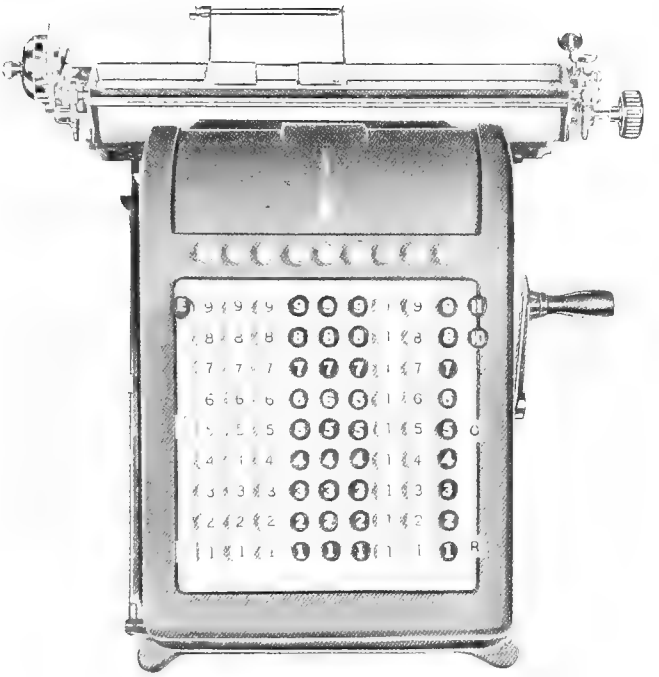
* A method of summarising the published balance-sheets is given on pages 628-633. † See page 580. ‡ See page 639. § See "Co-operative Book-keeping," page 280.

expenses through the transfers,* to this extent the purchases will be reduced, as they are not purchases of goods. Otherwise the debit and credit transfers may be ignored, as they correspond and therefore fall out of the account. The balance of Account II. *A* would consequently agree with the total net profit as per published trade accounts but for the fact that a different method of treating expenses obtains in the return than in the balance sheets published by co-operative societies. It will be seen, for instance, that the expenses as per trade account of the balance sheet is the balance of the expenses account, which includes items that in the return are separately stated. These are "Interest on loans, deposits, and bank current advances" and "Depreciation" debited separately to Account II. *A*; "Interest on share capital," debited separately to Account II. *C*; "Fees and fines," credited to Account II. *B*, and "Interest and profit on investments" (often credited to the expenses account) also credited separately to Account II. *B*. To the extent that these are taken into account into the society's expenses account, and taken as foreign to "Trading" in the return, to this extent the balance "Net profit on trading" will differ in the return from the amount given in the published balance sheets of the society. Where, however, as in the case of "Fees and fines," they are taken to Reserve Fund, they will not appear at all, nor affect the balance. The method of apportioning expenses between productive and distributive, when they are shorn of these integral items, perhaps presents the most difficult task allotted to the secretary in compiling the return, and encourage adjustment rather than accuracy, and it is here, perhaps, where we might hope in the future to have the form amended to suit the requirements of societies. This difficulty may, however, be much simplified in the manner given on page 630, which will be found to be an adjustment of expenses account, with an addendum which for the purposes of teaching we will style the X Y Z account.

* See page 312.

"BURROUGHS" ADDING MACHINE.

KEYBOARD AND CARRIAGE



Kindly lent by the Burroughs Adding Machine Co. Ltd.

PLATE XXXIX

To face page 624

The Adjustment of Expenses Account.

This account will only deal with items which in societies' balance sheets are taken through expenses account, and which the return treats separately. If any of them are dealt with by the society through investments revenue account or profit and loss account, then they are not extracted. It will be seen that the balance of this account is the amount required to reconcile the general accounts of the return if the expenses as per balance sheets were entered in Account II. *A*. Having made these entries and struck the balance, we can now enter them individually into the return. Interest on shares (*a*) to the debit of Account II. *C*; interest on loans, &c., (*b*) to the debit of Account II. *A*; depreciation (*c*) to the debit of the same account; interest on investments, rents on cottage property (*d*), and fees and fines (*e*) (if not credited to the reserve fund),* to the credit of Account II. *B*. Where an investments revenue account is published, into the adjustment of expenses account will be entered to credit the amount credited as interest and charges on investments to the published expenses accounts† and debited to the investments revenue account;‡ and this amount will be debited in a separate item in Account II. *B* of the return under expenses not chargeable to trade. The balance surplus or deficit of the investments revenue account taken to the published profit and loss accounts§ will increase or decrease accordingly the credit for interest (*f*) in the expenses adjustment account for entry in the return to the credit of Account II. *B* under "interest and profit on investments."

The X Y Z Account.

It will now be seen that the entry into the return of the expenses as per published trade accounts, after deducting the balance of the adjustment of expenses account,‖ will prove the accuracy of the general accounts, which will now balance.

* See page 71. † See page 578. ‡ See page 576.
§ See page 582. ‖ "Y," see page 631.

The expenses in the return are divided into two sections, "productive" and "distributive," whereas in the society's balance sheets they lie under the headings of "carting," "productive," and "distributive."* Another item for carting expenses will therefore have to be made in the return unless they are added finally to the distributive expenses.† The X Y Z account will now be entered as follows‡:—The column X will contain these items separately for the year as given in the published trade accounts, the total of Y will be deducted in threefold analysis from their total, and the balance entered under the corresponding headings in Account II. *A* will prove the general accounts of the return. How, then, are we to apportion Y under the three headings so as to adequately represent to the Registrar a fair comparison? It will be generally accepted by a secretary versed in co-operative accounts that the dissection of the item Y is so elaborate that it is often taken proportionately to the items of carting, productive, and distributive expenses, if not actually deducted *in toto* from the distributive expenses. Such is the result of the separate specification of these particular items of expenses in the return. Perhaps the best solution would be if the Chief Registrar were to require a summary expenses account, these particulars only being separately stated therein, and omitted altogether from the general accounts. The secretary will find (and it may assist him in proving) that the balance of Account II. *A* should be the net profit as per published trading accounts after deducting balance Y of the adjustment of expenses account, and adding the interest on loans, &c., and depreciation therein given. Special depreciations as per profit and loss account should be entered in Account II. *C*, the balance of which account (as mentioned above) should agree with the balance disposable on the date of the last balance sheet included in the return, and also the profits unappropriated at the end of year, "as per Account III. balance sheet of funds and effects." This balance will

* See page 527. † See page 531. ‡ See page 630.

naturally agree with the "balance of profit brought forward from last year" on the credit side of Account II. *B* in the following year's return to the Registrar.

The Front Page.

The front page of the return is reserved for various memoranda prescribed by the Registrar, and, so far as the upper portion is concerned, will explain itself on perusal of page 634. As to the lower portion of the page, misconception sometimes arises, which calls for brief explanation. In a productive society all the transactions are productive, and the tabulated statement presents no serious difficulty. The wages paid will be the prime cost and not the oncost charges,* that is to say the wages represented by the average number of workpeople employed, which must also be given in the spaces provided. The value of the productions are the *selling value of the output*,† which is at wholesale prices as required in the return. This item is therefore obtained from the cost accounts, or if no cost accounts are kept, it may be ascertained by adding to the sales the selling value of the stock of output to end, and deducting the selling value of the output to begin, work in progress being ignored. In the annual return of distributive societies the productions of the quasi-productive departments‡ (which should be separately stated in the balance sheet) will be represented by the transfers§ to credit of these departments in the published trade accounts, and which, if properly recorded, should be at wholesale prices.|| The butchering department is the only one which has both productive and distributive expenses charged against it in the trade account.¶ In this case the total value of productions may be more adequately represented by the transfers (credited to the slaughter-house) and the productive expenses (charged to the shops) taken together.

* See page 260. † Not the sales. (See page 215.) ‡ See page 265.

§ The stocks in these departments will be work-in progress (see page 262), finished goods having been transferred to the distributive departments.

|| See page 238. ¶ See pages 268 and 580.

APPENDIX TO

SUMMARY FOR ANNUAL RETURN, 1908, OF

I. CASH

Receipts.	June.			Dec.			TOTAL.		
	£	s.	d.	£	s.	d.	£	s.	d.
Share Contributions									
Loans received, as authorised by the rules, whether on Mortgage or Loan Agreement									
Sales Deposits and Savings Bank Deposits									
Sales of Goods									
Rents—Cottage Property and Sundry									
Fees and Fines—Entrance, Nomination, and Withdrawal									
Rules and Pass Books									
Commission—Other Tradesmen									
Educational Department									
Investments on Security of Property— Received on Loans Secured Investments Account									
Other Investments— Received on Share Investment Account									
,, Loans Ordinary Account									
,, Hire Purchase Account									
Other Receipts— Bank Interest									
Cartage Earnings									
Commission—Insurance Agency									
Total Receipts									
Bank Overdrawn to end									
Bank Balance to begin									
Cash Balance to begin—Office									
,, ,, Shops									
Total £									

CHAPTER XXXII.

THE PLAYFAIR CO-OPERATIVE SOCIETY.

ACCOUNT.

Payments.	June.			Dec.			TOTAL.		
	£	s.	d.	£	s.	d.	£	s.	d.
Share Withdrawals									
Interest and Dividend to Members									
Dividend to Non-members and Sundry Checks Discounted in Advance									
Loans and Interest Withdrawn (whether on Mortgage or Loan Account), see *contra*.									
Sale Deposits and Savings Bank Deposits Withdrawn									
Interest on Bank Overdraft									
Goods including Carriage									
Expenses—									
General									
Bank Commission and Cheque Books									
Land and Fixtures—Trade Purposes									
Other Purposes									
Advances to Members on Mortgage, as per Loans Secured Investments Account									
Other Advances—									
Share Investments Account									
Loans Ordinary Investments Account									
Loans Secured Investments Account other than advances to Members (see above)									
Education Department									
Subscriptions and Donations									
Other Payments									
Special Expenses as per Profit and Loss Account (specify them)									
Total Payments									
Bank Overdrawn to begin									
Bank Balance to end									
Cash Balance to end—Office									
,, ,, Shops									
Total £									

SUMMARY FOR ANNUAL RETURN, 1908, OF THE

II. GENERAL

TRADE

	June.			Dec.			TOTAL.		
	£	s.	d.	£	s.	d.	£	s.	d.
Stocks to begin									
Purchases and Carriage									
Transfers*									
X Carting Expenses									
X Productive									
X Distributive									
Trading Profit (see P. & L. Account)									

* To be added to Purchases.

ADJUSTMENT OF

(Only to include items as under,

	£	s.	d.	£	s.	d.	£	s.	d.
(*a*) Interest on Shares									
(*b*) Interest on Loans, &c. — Loans									
(*b*) Interest on Loans, &c. — Bond									
(*b*) Interest on Loans, &c. — Penny Bank									
(*b*) Interest on Loans, &c. — Bank									
(*c*) Depreciation									
Total to agree with *Contra*.									
X Y Z Account.		X			less	Y		Z	
Carting Expenses									
Productive Expenses									
Distributive Expenses									
(As per Trade Account.)									

PLAYFAIR CO-OPERATIVE SOCIETY—*Continued.*

ACCOUNTS.

ACCOUNT.

	June.			Dec.			TOTAL.		
	£	s.	d.	£	s.	d.	£	s.	d.
Stocks to end									
Sales									
Transfers†									
Dividend on Purchases									
† To be deducted from Purchases.									

EXPENSES ACCOUNT.

when entered in Expenses Account.)

		£	s.	d.	£	s.	d.	£	s.	d.
(*d*) Interest, &c., on Investments.	Interest on Shares									
	,, Loans									
	,, Mortgages									
	Rents (Cottage Property)									
(*e*)	Fees and Fines									
(*f*)	Interest and Charges to Investments Revenue Account*									
	* Substitute (*f*) for (*d*) where an Investments Revenue Account is published.									
Y	Amount included in Productive, Carting, and Distributive Expenses in the Society's Balance Sheet, which are required to be separately stated in the Return.									
	Total to agree with *Contra*.									

SUMMARY FOR ANNUAL RETURN, 1908, OF

II. GENERAL

PROFIT AND

	June.			Dec.			Total.		
	£	s.	d.	£	s.	d.	£	s.	d.
Dividend to Members									
,, Non-members									
Bonus to Employés									
Educational Purposes									
Reserve Fund									
Equalisation Fund									
Balance down									
Bad Debts									
Deficiency—Investments Revenue Account									
Sundry Checks discounted in advance									
Donations and Subscriptions									
Balance Disposable to next year									

THE PLAYFAIR CO-OPERATIVE SOCIETY.

ACCOUNTS—*Continued.*

LOSS ACCOUNT.

	June.			Dec.			TOTAL.		
	£	s.	d.	£	s.	d.	£	s.	d.
Balance Disposable last year									
Transferred from Reserve Fund									
Equalisation Fund									
Balance down									
Profit, per Trade Account									
Commission—other Tradesmen									
Surplus—Investments Revenue Account									

Register No. .....
County .....

FORM A.R. 12.

INDUSTRIAL AND PROVIDENT SOCIETIES ACT, 1893,
56 & 57 Vict., c. 39.

Annual Return prescribed by the Chief Registrar for Societies carrying on Industries and Trades under the above Act.

YEAR ENDING 31ST* DECEMBER, 1908.

This Return is to be sent to the Registrar on or before the 31st of March following.

A copy of the Auditors' Report, if any, is also to be sent.

Name of Society.....Limited.

Industries carried on by Society (Productive).....

Trades carried on by Society (Distributive).....

Date of Establishment.....1....

When first Registered.....1....

Do the Rules of the Society authorise operations under the Small Holdings and Allotments Act, 1907?.....

If so, application should be made to the Registrar for a copy of the Form of Return (A.R. 14a).

Has the Society received any grant or advance, under the Small Holdings and Allotments Act, from a County Council?.....

If a grant or advance has been made, state the name of the Council, and the amount of the grant or advance.....

Do the Rules of the Society require security to be given by Officers? ....

If so, state the number of the Rule.....

Name and Address of every Officer in receipt or charge of money, the amount of Security given by each, and whether by Bond or Guarantee Society..... .....£ .....£ .....£

Number of Members at the beginning of the year.....

Number of Members admitted during the year.....

Together

Number of Members whose membership has ceased during the year

Number of Members at the end of the year.....

Do the Rules of the Society allow of Credit being given?..... If so state the number of the Rule.....

Does the Society give Credit?..... If so, to what limit?.....

The Audit for the year has been conducted by Mr....., Public Auditor [*or* by.....who were appointed Auditors by.....under the authority of Rule No.....]

Registered Office of the Society†.....in the County of.....

Date.....1909.

* If any other day in December, or any day in January, 1909, state the day. † State full postal address.

PARTICULARS of PRODUCTIVE OPERATIONS carried on by the Society during the year.

(This portion is to be filled up by every Productive Society, and also by every Distributive Society that carries on any Productive Operations.)

Total Value of Productions for the year (Wholesale Price) .. .. £.....

(In a Distributive Society this item should represent the *Wholesale Price* of productions transferred to Distributive Departments, or otherwise disposed of.)

Average Number of Workpeople employed .. ..

Amount of Wages paid (exclusive of Bonus) .. .. £.....

Bonus to Labour .. .. £.....

Details of the above particulars in respect of the several Departments in which Productive Operations are carried on by the Society :—

[HERE SPECIFY THE SEVERAL DEPARTMENTS.]

DEPARTMENT.	Value of Productions.	Average Number of Workpeople employed.			Amount of Wages paid.	Bonus to Labour.	OBSERVATIONS.
	£	Men.	Women	Persons under 18 years of age.	£	£	[Here state how the Wholesale Price is arrived at.]
Total as above.. ..							

The Address to which Rules, Returns, and other Documents should be sent is as follows :—
ENGLAND AND WALES : Registry of Friendly Societies, Central Office, 28, Abingdon Street, Westminster, London, S.W.
SCOTLAND : Registry of Friendly Societies, 3A, Howe Street, Edinburgh.
IRELAND : Registry of Friendly Societies, 12, South Frederick Street, Dublin.

I. CASH ACCOUNT.

Receipts.	£	s.	d.	*Payments.*	£	s.	d.
Share Contributions				Share Capital Repaid			
Loans				Interest on Shares			
Deposits and Small Savings Department				Dividend to Members			
Sales of Goods				" Non-members			
Rents				Loans			
Fees and Fines: Entrance, Nomination, Withdrawal				Deposits and Small Savings Department			
Rules and Pass or Contribution Books				Interest on Loans and Deposits and Bank Current Advances			
Interest and Profits on Investments				Goods including Carriage			
Dividends and Discounts on the Society's Purchases				Expenses of Management :—			
Educational Purposes				Salaries and Wages			
Investments—Deposits and Repayments of Advances on Security of Freehold or Leasehold Property				Rent, Rates, Taxes and Insurance			
Other Investments Realised or Advances Repaid				Other Expenses			
Other Receipts (if any)* :—				For { Land, Buildings, and Fixtures. { For Trade Purposes			
				For other Purposes			
				Advances to Members on Security of Freeholds or Leaseholds			
				Other Advances or Investments			
				Educational Purposes			
				Subscriptions to Charitable and other Objects			
				Other Payments (if any)* :—			
Total Receipts				Total Payments			
Balance (if any) due to Bankers at end of year				*Balance (if any) due to Bankers at beginning of year*			
Balance of Cash in Hand and at Bank at beginning of year				Balance of Cash in Hand and at Bank at end of year, as per Balance Sheet (III.)			
Total £				Total £			

* To be specified.

II. GENERAL ACCOUNTS—(*A*) TRADE OF YEAR.

Expenditure.	£	s.	d.	*Income.*	£	s.	d.
Purchases during Year, including Carriage				Sales of Goods during Year			
* Productive Expenses incurred in the Industries carried on by the Society				Dividends and Discounts on the Society's Purchases			
* Distributive Expenses incurred in the Trades carried on by the Society							
Interest on Loans, Deposits, and Bank Current Advances chargeable to Trade Account							
Depreciation—Land, Buildings, and Fixtures chargeable to Trade Account							
Total Expenditure				Total Income			
Value of Stock-in-Trade at beginning of Year				Value of Stock in-Trade at end of Year			
Balance Profit on Trade of Year, to Account *B*				Balance Loss on Trade of Year, to Account *B*			
Total £				Total £			

* These amounts should include Salaries and Wages and all other Productive or Distributive Expenses, respectively, incurred during the Year.

(*B*) PROFIT AND LOSS.

	£	s.	d.		£	s.	d.
Balance of Loss brought forward from last Year				Balance of Profit brought forward from last Year			
Loss on Trade of Year, from Account *A*				Profit on Trade of Year, from Account *A*			
Bad Debts				Interest and Profit on Investments			
Other Debits not chargeable to Trade (specify them)				Fees and Fines: Entrance, Nomination, Withdrawal			
				Other Credits (if any), specify them			
Balance disposable to Account *C*				Balance of Loss as per Account III			
Total £				Total £			

(*C*) Application of Profit.

	£	s.	d.		£	s.	d.
Interest on Shares				Balance Disposable from Account *B*			
Dividends on Purchases :—							
To Members							
„ Non-members							
Bonus to Employés							
Donations and Subscriptions							
Educational Purposes							
Reserve Fund							
.....Fund							
.....Fund							
.....Fund							
Other Applications*							
Profit carried to next Year, as per Account III							
Total .....£				Total .....£			

* To be specified.

III. BALANCE SHEET OF FUNDS AND EFFECTS AS AT *31ST DECEMBER, 1908

	£	s.	d.		£	s.	d.
Due to Shareholders				Value of Stock-in-Trade (as in Account *A*)			
Due to Depositors and other Creditors, viz. :—				Buildings, Fixtures, and Land used in Trade			
	£	s.	d.	Investments and other Assets, viz. :—			
Loans					£	s.	d.
Deposits and Small Savings Department				In Land and Buildings			
Bank Advances				On Mortgage Security			
Cash due to Treasurer				On Loans or Deposits			
Trade Debts				In Shares of Industrial and Provident Societies‡			
Other Liabilities†							
Profits *appropriated but not paid* during the Financial Year				In other Shares‡			
Total				Other Investments‡ :—			
Balances of Profit and Reserve, viz. :—				Other Securities or Assets‡ :—			
Profit unappropriated and carried to next Year, as per Account *C*				Amount (if any) owing by Members at end of Year			
Reserve Fund				Cash in ..... Bank			
..... Fund				,, hand§			
..... Fund				Total			
..... Fund				Loss carried to next Year, as per Account *B*			
Total							
Total £				Total £			

Signature of Treasurer ..... Signature of Secretary .....

Residing at .....

The undersigned, having had access to all the Books and Accounts of the Society, and having examined the foregoing General Statement and verified the same with the Accounts and Vouchers relating thereto, now sign the same as found to be correct, duly vouched, and in accordance with law.

Signature of 1st Auditor [or of Public Auditor‖] ..... Signature of 2nd Auditor .....

Address ..... Address .....

Calling or Profession ..... Calling or Profession .....

Date ..... 19....

If in any respect these Accounts are incorrect, unvouched, or not in accordance with law, *the Auditors* are to make a Special Report to the Society, of which a copy is to be sent to the Registrar with this Statement.

* If any other day in December, or any day in January, state the day. † To be specified. ‡ State them separately. § State in whose hands.

‖ If the accounts are not audited by a Public Auditor, *appointed under the Industrial and Provident Societies Act*, two persons, at least, must be appointed as Auditors.

ADDENDA ET CORRIGENDA.

Page 164.—First footnote: For "See page 148" read "See page 446."

,, 393.—Line 8: Add "Or the sales sheets may be entered in duplicate in the shops, the original sheet of entry being checked by the check office each day with the contents of the check-boxes."

,, 424.—Cheque: For signature read—

THE PLAYFAIR CO-OPERATIVE SOCIETY LIMITED.

ARTHUR SIMPSON, } Members of
W. H. THOMPSON, } Committee.

W. L. FYLDE, Secretary.

,, 449.—Line 8: Insert "Rule 28."

,, 486.—Line 13: For "prompt" read "tardy."

,, 609.—"Ordinary Business Meetings of Members": Delete headings 2 and 3 (see page 602).

"BURROUGHS" ADDING MACHINE.

TYPED RIBBON SHOWING ADDITION.

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                1. 13.  4
                4. 16.10
               77. 19.  8
               13.  3.  2
              128. 16.11
              358.  5.  9
            1, 751. 14.  6
              916.  1.11
            4, 756. 17.  7
           17, 125.  6.  4
        1, 578, 953. 12.  7
      346, 053, 189.  2.  6
        5, 992, 524. 13.  1
            9, 505. 15.  5
           12, 243.  9.
      653, 044, 378.  4.10
    1, 921, 708, 832. 12.  5
           75, 316.  7.  4
       14, 358, 432.  5.  8
            5, 606.  7.  4
        8, 808, 800. 15.  2
    5, 741, 673, 916.  9.  8
        5, 372, 195.  1.10
      603, 749, 852.  2.  7
           75, 550. 15.  5
            9, 793.  4.11
      462, 671, 479. 18.  6
            2, 539. 19.  9
       92, 783, 469.  7.  4
      141, 988, 284. 18.  7

    9, 999, 999, 999. 19.11
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[Kindly lent by the Burroughs Adding Machine Co. Ltd.

PLATE XL.

To face page 640.

INDEX.

A PAGE

Acceptance, Delivery and Receipt 164
Accounting Generally 181
Accounts of Officers Rendered 30
Acknowledgment of Cash Received on Sales Account 461
Adjustment of Expenses Account 625, 630
Administrative Responsibility 186
Admission Card 118, 131
Advice Book for Goods Returned 203
Agenda 599, 609-611
Agricultural Societies 2
Allocation Account 535, 542
Allotment 90, 102, 103, 104
Amateur Lawyers and Architects 462
Annual Return to the Registrar 614
,, Authorisation of 615
,, Date of Making Up 616
,, Front Page 627, 634, 635
,, General Method of Compilation 617
,, General Accounts 623, 637, 638
,, Made up from Published Balance Sheets 616
,, Summary for 628, 632
Annuity, or Sinking Fund System 488
Apportionment of Expenses 525
Appropriation of Payments 447
Architect's Certificate 476

B

Bakery Cost Accounts 265, 283
,, Transfers 248
Balance Sheet 33, 584, 618, 639
Balancing Period 98
Bank Account 570
Banking 142, 409
,, by Societies 141
Bank Interest 418, 480
,, ,, and Commission, How to Check 421, 425
,, Note, The 411
,, Overdrafts 422
,, Rate, The 418
Bill of Exchange 424
Book System, The 374, 391
Boot Repairing 272
Butchering Cost Accounts 285-290
,, Departments 267

C

Capacity to Contract 155, 173
Capital and Revenue Expenditure 470
,, Required for Trading 68
Carriage 168
Carriers by Sea 171
Carrier, The Liability of a 170, 174
Carter's Delivery Book 196, 207

PAGE
Carting Expenses 528
Cash Account 620, 570, 628, 636
,, Office 426
,, Purchases 316, 323, 433, 455
Chairman and Conduct of Meetings 599
Change in Prices Note 258
Checks and Cash, Weekly Statement of 384
Check Ledger, Members' 385
,, ,, Shopmen's 383
,, Office 389
,, ,, None in Productive Societies 326
,, System, What is a 352
,, ,, Requirements of 364
Cheque, The 412, 424
Cheques, Crossing of 414
Cheque Irregularities 415
Cheques, Signing and Endorsing of 413
Claims Book 205
Clearing House 417
"Climax" System 371, 379
Coal Department 218
,, Ledger 231
,, Ticket 230
Collective Life Assurance 515
,, ,, Policy 522
Combination Cheque and Receipt 422
Commission Sales 440
Committee, Duties of 587
,, Meetings of 594
,, Powers of 586
,, Relations with 33
,, Removals and Vacancies 590
,, Special Duties of 592
Consideration 151
Contingency Funds 513
Contracts, Building 467
Contract in Relation to Societies, The Law of 172
,, Ledger 198
,, What is a 147
,, Rights, Duties, and Liabilities under a 157
Co-operation, Meaning of 1
Co-operative Society, The 1
,, ,, Constitution of 1
Correspondence, Indexing and Filing 51, 52
,, The Manager's 59
Cost Accounts 259, 281
Costings, Summary of 284
Cottage Property 550
Court Matters 448
Credit Ledger, Members' 403
,, Notes 192, 202
,, What is 387

D

Daily Cash Book 443, 454
Deeds, Scheduling of 467, 474
Deposits 138
Depreciation, What is 483

PAGE
Depreciation, Funds 563
,, in Investments 495
,, Methods of 487
,, Rates of 490, 497
,, of Stocks 492
Dictation, Mechanical 54
Discounts 331
Discrimination Account 541
Distributive Expenses 531
,, Societies 2
Dividend, A Deferred Discount 565
,, on Purchases 124, 547
,, Payment of 125
,, Profit available for 566
,, Warrant 113, 386
Dressmaking 270
,, Cost Account 292
,, Job Note 291
Duplicating 56

E

"Eccles" System 367, 378
Education Department 440, 459, 576
Election of the Committee 589
Eligibility of Committee-men 590
Employers' Indemnity Policy 520
Employment, Conditions of 36
Enclosures 58, 64
Expenses 337, 578
,, Discrimination of 532
,, Threefold Classification 526
Equalisation of Dividend Fund 568, 576

F

Farm, The 275
,, Fund 576
Federation of Societies 2
Fidelity Insurance 514
"Fielding-Wood" System 376, 380, 381, 382, 402
Finance 407
Fire Insurance 508
,, Policy 517-9
,, Rates of 512
Fixed Stock, What is 462
,, Account 471, 473, 572
Fluctuation 481
Forfeiture 71
Fraud and Mistake 158

G

Goods, What are 163
,, Account 210, 239
,, Office 187
,, Purchase of 187
,, Receiving Book 189, 200, 226

H

Health Considerations 43
Heating, Light, and Water 508
Hidden Reserves 563
Hides, Skins, and Fat 208, 438, 452

PAGE

Hire-Purchase Agreements 395
,, Ledger 398, 406
,, Instalments, Dividend on 398

I

Inauguration of a Society 7
Income Tax 502
Indemnity, Agreement of 109
Independent Valuation of Stock 306
Industrial and Provident Societies Act 4, 6, 173
Instalment Plan 489
Insurances, Schedule of 524
Interest Charges—Effect upon Revenue 478
,, Share and Loan 477
Invest, The Power to 544, 557
Investment of Surplus Funds 543
Investments Capital Account 545, 573, 574
,, Revenue Account 479, 534, 551, 575
,, Interest and Dividend on 439
Invoice, The 190, 201
,, Book 311

J

Job Card 349
,, Note 282
Joint-Stock Companies 4

L

Land and Property—Title and Covenants 465
,, Power to Buy and Sell 463
Landlord and Tenant 552
Leakage 240
,, Accounts, Purpose of 244
,, Ledger 246, 254
,, Summary 255
Ledger Office 310
Legal Tender 446
Letters 51, 61, 62, 63
,, of Administration 75
Limited Liability 3
Liabilities requiring Special Treatment 498
Liquid Assets 543
Loans 136
Loan Agreements 137, 143
,, Department, Regulations of 144
,, Ledger and Pass Book 145
,, Summary 146
Loose Checks 362

M

Mechanical Attachments to Check Systems 358
Medium of Exchange 426
Meetings, Conduct of 599
,, General Procedure of 602
,, Members' 594
,, Monthly 596
,, Special General 595
Member, Who can be a 72
Membership, Applications for 102, 117, 127, 130
,, Statement of 131

PAGE
Membership, Withdrawal from 128
Members Dying Intestate 76, 84-87
,, Insane 77, 88
,, Register of 92, 101
,, Debt Sheet 405
Metal Check, The 354
Milk Delivery Book 232, 233
,, Department, The 220
,, ,, Daily Goods Account 234
,, ,, Costing of the 279
,, ,, Weekly Cost Account 235
Millinery Department 270
Mimeography 56
Minutes and Reports 606
Misappropriation and Fraud 30
Money Orders 417
Mortgages 469, 549
Mortgage Ledger 558

N

Nomination 73, 80, 81, 82
Non-Members, Dealings with 507
Novation 159

O

Objects of the Society 7
Offences and Penalties 29
Offer and Acceptance 148
Office, The—Brain of the Society 33
,, Accessories 46
,, Departments 48, 183
,, Fittings 44
,, Reminder 58
Officers 28
Oncost 260
Output 210, 215
,, Note 228

P

Paper Check, The 356
Parol Contracts 154
Petty Cashier 442
,, Cash Book 460
Piecework 343
,, Wages Note 424
Postage 50, 60, 65
Postal Orders 417
Price, The 164
Prime Cost 260
Privilege, Breach of 593
Probate 75
Production 259
Productive Societies 2
,, Expenses 529
,, ,, Purchases from 179
Profit and Loss Account 561, 582, 632, 637, 638
Promissory Note 424
Purchase Book 188, 198
Purchases as per Trade Account 317
,, of Productive Societies 134

PAGE

Purchases Accounts Paid by Cheque 430
,, Adjustment Account 320

Q

Qualification of a Committee-man 588
Quasi-Productive Departments 265
Quorum 596

R

Railway Account, The 196
,, Advice Note 204
,, Carriage Invoice 209
,, Consignment Note 206
,, Transport 193
Rating Assessment 499
Ready-Money, What is 365
Receipt Stamps 444
Registered Office 41, 49
Registrar, The 612
,, Duties of the 613
,, Powers of the 612
Registration 12, 16
,, Conditions of 8
Registry, Acknowledgment of 13
,, Offices of 8
,, Suspension or Cancellation of 13
Rental Charges, Accounting of 515
,, General, and Cartage Assessment 536
Rents 440
Rent, Distraint for 555
Reports 606
Reserve Funds 562, 577
Reserved Dividends 566
,, Profits 568
Resolution, Special 598
Retail Societies 2
Retirement of Committee-men 590
Rights and Liabilities of Buyers 166
Rules to be Prepared 9
,, to be Registered 11
,, Amendment of 14, 18, 19, 21
,, Provisions to be contained in 9

S

"Safe" Accommodation 41
Sale of Goods, The 161
Sales 216
,, of Distributive Societies 435
,, of Productive Societies 434
,, of Hides, Skins, and Fat 438
,, Deposits 140, 393
,, ,, Dividend on 398
,, ,, Ledger 395
,, Adjustment Account 402
,, Day Book 333
,, Invoice 329
,, Ledger 330
,, Note 327
,, Receipt Book for Productive Societies 456
,, Returns 332

PAGE
Sales Sheet, Shopman's 401, 457
Savings Banks 138
Savings Bank Ledger and Pass Book 139
Seal, The Common 466
Secretary *pro tem* 22
,, An Officer 28
,, Appointment of 22
,, Appointed by Committee 25
,, and Check System 363
,, Duties of 24
,, Relations with the Manager 34
,, Remuneration and Security of 23, 38, 39, 40
,, Training of the 30
Secretary's File, The 58
Shares (see also Transferable Shares) 69
,, either Transferable or Withdrawable 78
,, Paid up by Instalments 70
Share Certificates 94, 106
,, Contributions and Withdrawals 120, 132, 133, 453
,, Interest 123
,, Ledger 119
,, Office, The 78, 429
,, Pass Book 97, 118, 134
,, Summary 123
Shop Ledger 389, 400
Shopmen, Payments by 433
Simple or Parol Contracts 154
Societies, Two Classes of 176
,, Varying in Size 184
Special Jobs 263, 342
Specialties 153
Staff, *Personnel* of the 35
,, Relations with the 37
Stamp Duties 466
Statements 432
Stationery 51
Statutory Duties 11
Stocks 293
,, Costing of 303
,, Depreciation of 492
,, Inventory of 296
,, Preparation of 299
Stock Sheet, The 308, 309
Stocktaking and Stocktakers 293, 300
Stock, Checking 304
,, Jobs 261, 341
,, Ledger 214, 229
Stores 211
,, Issue of 212
,, Ledger 213, 227
,, Order Note 224
"Subs" 344
Sub-committees 588
Summary Cash Book 443
Sundry Receipts Book 437, 458

T

Tailoring Department 270

PAGE
Telephones 47, 50
Tenancy Agreements and Leases 559
Tenants' Rent Book 560
,, Societies 2
Trade Account 580, 630, 637
,, ,, Productive Societies 334, 335, 336
,, Departments 182
,, Ledger 313
,, ,, for Productive Societies 314
Trading Pass Book 353
Transferable Share Capital Adjustment Account 114
,, ,, Ledger 93, 107, 108
,, Shares, Applications for 89, 99, 100
,, ,, Register of 93, 105
,, ,, Summary of 110
Transfer Delivery Note 237, 252
,, Invoice 237, 253
Transfers of Goods 236
,, of Shares 95, 111
,, Register of 96, 112
,, Summary of 250, 257
Treasurer and his Duties 26
Treasurership, an Obsolete Office 27
Turnover 215
Typists 53
Typewriters 55

U

Uniformity, A Plea for 525

V

Van Leakage Account 256
Variation in Selling Prices 245
Voting, Method of 597

W

Wages Book 345
,, Card 348
,, Clerk 340
,, Distributive 344
,, Payment of 347
,, Productive 338
Wear and Tear, Decay, and Obsolescence 486
Weekly Wages Sheet 350
Weights and Measures 251
Wholesale Society, The 2
,, Societies, Purchases from 179
,, Societies' Invoices 315
,, Invoices, Summary of 324
,, Statement of Trade Account 321, 322
Withdrawable Share Capital, General Effect of 115
Withdrawal, Notice of 122, 129
Work-in-Progress 262
Workmen's Compensation 513
Works Warrant Note 225

X

X Y Z Account 625, 630

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